

COMMUNITY FACILITIES
FIRE AND RESCUE APPLICATION CHECKLIST

Agency regulations require certain data to be presented in order to determine applicant eligibility. In order for us to be more responsive to your request and in order for us to provide you with additional information on possible RHS funding, we request the following checked items be provided with your application. (Unless noted otherwise, please provide two copies.) If your concern is only related to your eligibility, you need only supply items 1, 8, 9, and 14.

1. SF 424, Application for Federal Assistance
2. Intergovernmental Review comments from local Planning District Commission
3. Feasibility Study using Guide 5 OR Form RD 1942-54 (Omit if included in item 4.)
4. Preliminary Architectural/Engineering Report (Guide 6)
5. Copies of outstanding debt instruments (copies of notes, Deeds of Trust, bonds, financing statements/security agreements, and leases, etc.)
6. Form RD 442-3, Balance Sheet [current]
7. Form RD 1940-20, Request for Environmental Information
8. Copy of Charter and By-Laws (certified as true and correct)
9. Articles of Incorporation
10. Certificate of Incorporation
11. Statement from State Historical Preservation Officer concerning historical sites and archaeological properties
12. Financial Reports for the previous five years - The financial reports must contain enough information to disclose the net worth, net income, and gross expenses for the past five years.
13. Brief statement describing (a) how the facility will be operated, (b) the service area [attach maps], and (c) sources of income
14. Statement regarding efforts to finance your project/ facility through other sources
15. Legal Services Agreement
16. Agreement for Architectural/Engineering Services
17. Projected operating budget for the facility [identify income sources and expense items] using Form RD 1942-7, Initial Operating Budget, OR Form RD 1942-52, Cash Flow Projection

If you need further assistance, please feel free to write or call the person(s) listed below. Your contact person(s) is:

(Name and Title)

(Address)

(Telephone)

Please note that items 2 and 11 require copies of the application and a description of the project [detailing its exact nature, its location(s), etc.] to be sent to the following address:

Item 2: Insert name and address of appropriate Planning District Commission

Item 11: Archaeological properties and historical sites:

Division of Historic Landmarks
221 Governor Street
Richmond, Virginia 23219
Telephone: (804) 786-3144

(Legal Opinion to be Retyped on Local Counsel's Letterhead)

(Date)

United States of America
Program Director, Rural Housing Service

(City) (State) (Zip)

Dear Sir:

As counsel to _____ (the Borrower) in connection with the delivery of its Promissory Note (the Note) in the principal amount of \$ _____ dated of even date herewith, I/we have examined:

1. The Articles of Incorporation and Bylaws of the Borrower.
2. The Resolution of the members of the Borrower adopted on _____ on Form RD 1942-8, authorizing the construction, acquisition, and financing of a _____ facility (the Facility).
3. The Resolution of the governing body of the Borrower adopted on _____, on Form RD 1942-9, authorizing the construction, acquisition, and financing of the Facility and executed as a Security Agreement (the Security Agreement) between the Borrower and the United States of America (the Government).
4. The Financing Statements from Borrower to the Government (the Financing Statements).
5. Deed of Trust between the Borrower and the Government, dated of even date herewith (the Deed of Trust).
6. Such other materials, including relevant provisions of the constitution and the laws of this State as I/we have deemed pertinent as a basis for rendering the opinions hereinafter set forth.

Based on the foregoing examinations, I am/we are of the opinion and advise you that:

- a. The Borrower has been duly incorporated and it is validly existing under the laws of this State as a non-profit corporation and has full power and authority to execute and deliver the Note, the Security Agreement, the Financing Statement, and the Deed of Trust (hereinafter collectively referred to as the "Loan Instruments").
- b. The Loan Instruments were all duly authorized, executed and delivered, and constitute the valid and legally binding obligations of the Borrower and (* when

- recorded will) collectively create a valid first lien upon, or valid first security interest in favor of the Government in, the security covered thereby, and are enforceable in accordance with their terms, except to the extent that the enforceability (but not the validity) thereof may be limited by laws of bankruptcy, insolvency, or other laws generally affecting creditors' rights.
- c. The execution and delivery of the Loan Instruments and compliance with the provisions thereof under the circumstances contemplated thereby did not, do not and will not in any material respect conflict with or constitute on the part of the Borrower a breach of or default under any contract or agreement or other instrument to which the Borrower is a party, or any existing law, regulations, Court order, or consent device to which the Borrower is subject.
 - d. All necessary governmental approvals with respect to the acquisition, construction and operation of the Facility have been obtained.
 - e. I/we have no knowledge of any defect in the title of the Borrower to the property described in the Loan Instruments.
 - f. To the best of my/our knowledge, having made due inquiry, there is no action, suit, proceeding or investigation, at law or in equity before or by any court, public board or body, pending or threatened against or affecting the Borrower or the Facility, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by or the validity of any of the Loan Instruments or any related proceedings.

Sincerely,

* Optional language - if used, the attorney must follow up this letter with another which states the documents have been recorded and the Government does in fact have a valid first lien.

POSITION 1
Rev. 06/01

Date of Completed Pre-Appl. _____
Date of Completed Appl. _____

**PROCESSING CHECKLIST
CF GUARANTEED LOANS
3575-A INSTRUCTIONS**

AREA OFFICE: _____

APPLICANT: _____

COUNTY: _____

PROJECT DESCRIPTION: _____

	Name	Address	Telephone
Applicant			
Contact Person			
Lender			
Contact Person			
Other			

Checklist Codes:

Appl. – Applicant
Att. – Attorney
Eng. – Engineer
Arch - Architect
PDC – Planning District
AO – Area Office
SO - State Office

CF – Construction File

RCFTS Codes:

101 – Received Complete Pre-app.
112 – Notified to develop App
120 – Documents Required
201 – Application Received
215 – Letter of Conditions Issued
230 – Suspense

STAGE I. APPLICATION

SO USE	FORMS	DOCUMENT/ACTION	FILE POS./ TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	N/A	Application Conference - to discuss guar. requirements, application process, determine basic eligibility of applicant and project, environmental requirements (May be conducted by telephone)	3 Project	3575-52	AO	Indefinite	
	Letter	Letter to Lender & Borrower confirming decisions reached at Application Conference & regarding environmental review process. [see 3575.9(a)]	3 Project	3575.9a	AO	Indefinite	
	SF424.1 or 424.2	Application for Federal Assistance	3 Project	1942.17(m)(l)	BORR.	Indefinite	
	SF-3881	Obtain Banking information from Borrower and populate EFT Data Base	3 Project			Indefinite	
	1940-20	Request for Environmental Information	3 Project	1942.2(b) and 1940-G	BORR.	Indefinite	
	Letter	Request Planning District Review	3 Project	1942.17(m)(l) and RD 1940J	BORR.	Indefinite	
	Letter	Certification that Credit Unavailable without Guarantee	3 Project	3575.20(a)	LNDR	Indefinite	
	Organ. Docs.	Organizational Documents-a. Cert. Of Incorpor. & Amendments; b. Art. Of Incorpor. & Amendments; c. ByLaws; d. Atty.'s opinion reorganization & auth.;	5 Project	3575.20(b)(c)	BORR.	Indefinite	
	SF424.1 or 424.2	Tax ID Number ()	3 Project	1942.17(m)(l)	BORR./ATT	Indefinite	
	Letter	Organizational documents reviewed by OGC	5 Project	1942.2(a)(1)(v) 1942.17(b)(3)	OGC	Indefinite	
	Letter	Eligibility Determination & Recommendation	3 Project	1942.2(a)(1)(l)	AO	Indefinite	
	Letter	Copy of application, eligibility determination & recommendation to SO w/ request to process	3 Project	1942.2(a)(1)(l)	AO	Indefinite	
	Letter	SO Review/Auth. To Process	3 Project	Memo	SO	Indefinite	

STAGE II. PROCESSING

SO USE	FORMS	DOCUMENT/ACTION	FILE POS./ TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	See Forms	Processing Conference (Furnish to Lender, Forms 1980-10, 1940-20, 449-14, 449-34, 449-35, RD Inst. 3575-A) Example of Certification of Lender (3575.63) & Loan Closing	3 Project	3575.63	AO	Indefinite	

		Opinion (1980-E, Append. H))					
	1980-10	Application for Loan & Guarantee	3 Project	3575.2	BORR.	Indefinite	
	1910-A	a)Current/Past Debt History with RD b)CAIVRS	3 Project	1910.5 ADP Screen		Indefinite	
	1910-11	Applicant Certification Federal Collection Policies	3 Project	1942.5(a)(1)(I)	BORR.	Indefinite	

ENVIRONMENTAL COMPLIANCE
(To be conducted concurrently with the Application Phase)
(ENVIRONMENTAL ASSESSMENT MUST BE APPROVED PRIOR TO OBLIGATION)

SO USE	FORMS	DOCUMENT/ACTION	FILE POS./ TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	1940-22	Categorical Exclusion	3 Project	1940-G	AO	Indefinite	
	1940-21	Environmental Assessment for Class I Action	3 Project	1940-G	AO	Indefinite	
	FEMA Form 81-93	Standard Flood Hazard Determination	3 Project	1942.17(j)(3)(iii) (D)	LNDR	Indefinite	
	1940-21	Final Public Notification Flood Plain/Wetland Environmental Impact (Class I Assessment)	3 Project	1940-G	AO	Indefinite	
	Exhibit H	Environmental Assessment for Class II Action	3 Project	1940-G	AO	Indefinite	
	Exhibit I	Public Notification (FONSI) and Final Floodplain/Wetland Notice (Class II Assessment)	3 Project	1940-G	AO	Indefinite	

NOTE: FONSI Notice and 15 day comment period must be over prior to issuance of Letter of Conditions to Applicant.

SO USE	FORMS	DOCUMENT/ACTION	FILE POS./ TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	Guide 6	Prelim. Eng./Arch. Report with Plans, Cost Estimate	3 Project	1942.17(h)(1)(I)	LNDR	Indefinite	
	AD 1047	Certification Regarding Debarment	5 Project	1940-M	BORR.	Indefinite	
	Exhibit A- 1	Statement for Loan Guarantees (Anti-lobbying requirements)	5 Project	1940-Q and 1940.810	LNDR	Indefinite	
	400-1	Equal Opportunity Agreement	5 Project	1942.17(n)(2)(x)	BORR.	Indefinite	
	Permits	Copies of Permits, certifications & recommendation from appropriate regulatory agencies	5 Project	3575.43	BORR.	Indefinite	
	Lender's Form	Lender's Credit Analysis	5 Project	3575.47	LNDR	Indefinite	
	Credit Report	Credit Reports from Lender (if obtained)	8 Project	3575.52 (b)	LNDR	Indefinite	
	Lender's	Proposed Loan Agreement	5	3575.52(b)	LNDR	Indefinite	

	Form		Project				
	AD1048	Certification of Non-Debarment	5 Project	1940-M	LNDR	Indefinite	
	Appraisal Report	Appraisal Reports (if required by Lender)	8 Project	3575.49	BORR./ LNDR	Indefinite	
	1942-43	Project Summary	3 Project	1942.5(a)(1)	AO	Indefinite	
	1942-14	Fund Analysis	3 Project	1942.5 (C)	AO	Indefinite	

SUBMIT TO STATE OFFICE

SO USE	FORMS	DOCUMENT/ACTION	FILE POS./ TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	442-7, and 442-14	Analysis & Recommendations on Project Summary	3 Project	1942.5 (c)	SO Arch./Eng.	Indefinite	
	2006-38	Civil Rights Impact	3 Project	1940-G	AO	Indefinite	
	449-14	Preparation & Review of Conditional Commitment for Guarantee	3 Project	3575.63	AO/SO	Indefinite	
	1940-3	Request for Obligation of Funds	2 Project	3575.57	AO/SO	Indefinite	
	449-14	Conditional Commitment to Lender	2 Project	3575.53	SO	Indefinite	
	449-14	Acceptance of Conditions	2 Project	3575.59	LNDR/ BORR.	Indefinite	
	449-14	Add, Delete, or Change Guaranteed Loan Borrower Info (Initial Loans)	2 Project	3575.59	AO/SO	Indefinite	

STAGE III: CONSTRUCTION PHASE/FINANCING

Interim (construction) financing must be arranged by lender/applicant

Guaranteed Loan Only:

- **Specification for design and construction must meet all state, federal & local requirements. Lender is responsible (not Rural Development) for this determination. Not subject to 1942-A requirements unless direct loan is involved. (3575.43)**
- **Preliminary plans & specs are submitted to RD to determine the facility is modest in size, design, and cost. (3575.42 - See Item No. 23 on Checklist)**
- **Lender is responsible for review and approval of all final plans and specs, as well as contract documents. Documents are not required to be submitted to RD for our records, review or approval. (3575.42)**
- **Lender is responsible for all aspects of construction. Lender will monitor progress of construction and undertake reviews & project inspections necessary to reasonable assure funds are used for eligible project costs and that problems in project development are reported to RD (3575.42(b))**

Combination Loans (Direct and Guarantee)

- Recommended that lender provide construction financing for the entire project.
- RD should be prepared to close the direct loan and expense funds prior to the lender's request for guarantee.

NOTE: LOAN NOTE GUARANTEE WILL NOT BE DELIVERED UNTIL AFTER THE FACILITY IS FULLY OPERATIONAL AND THE PERMANENT LOAN IS CLOSED.

- Lender certifies at end of construction.

STAGE IV: LENDER'S CLOSING

SO USE	FORMS	DOCUMENT/ACTION	FILE POS./ TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	N/A	Lender sends copies of the following executed documents to RD after loan closing. a) Loan Agreement b) Lender's loan documents c) Lender's Agreement (Form 449-35) d) Closing certifications (review) e) Guaranteed Loan Fee	6 Project	3575.64	AO/LNDR	Indefinite	
	N/A	Rural Development conducts cursory review to ensure all conditional commitment requirements have been met	N/A	3575.63	BORR.	Indefinite	
	449-35	Lender's Agreement executed by RD	5 Project	3575.64 (a)	AO	Indefinite	
	449-34	Loan Note Guarantee executed by RD	5 Project	3575.64 (b)	AO	Indefinite	
	451-2	Guaranteed Loan Fee submitted to Finance Office on 451-2 & Coded w/Collection Code "30"	N/A	3575.64 (b)	AO	Indefinite	
	N/A	Guaranteed Loan System is populated with Lender and Borrower Information	N/A	Guaranteed Loan System User Guide	AO	Indefinite	
	N/A	Complete GA Transaction	N/A	ADPS Manual	AO	Indefinite	
	449-36	If Lender is selling the guaranteed portion on the secondary market to a holder, RD executes Form 449-36, along with Incumbency Letter	3 Project	3575.64 (c)	AO	Indefinite	

Other Area Office Requirements

Dear _____:

This letter, with Attachments 1 through _____ and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application for financial assistance from the Rural Housing Service (RHS) for _____. The Rural Development staff administers this financial assistance on behalf of RHS. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by RHS by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

This letter is not to be considered as loan (and grant) approval or as a representation as to the availability of funds. The docket may be completed on the basis of an RHS loan not to exceed \$_____ and an RHS grant not to exceed \$_____, and other funding in the amount of \$_____, for a total project cost of \$_____. The other funding is planned in the form of _____ from _____.

If RHS makes the loan, you may make a written request that the interest rate be the lower of the rate in effect at the time of loan approval or the time of loan closing. If you do not request the lower of the two interest rates, the interest rate charged at closing will be the rate in effect at the time of loan approval. The loan will be considered approved on the date a signed copy of Form RD 1940-1, Request for Obligation of Funds, is mailed to you. If you want the lower of the two rates, your written request should be submitted to Rural Development as soon as practical. In order to avoid possible delays in loan closing such a request should ordinarily be submitted at least 30 calendar days before loan closing.

Extra copies of this letter are being provided for use by your engineer/architect, attorney, bond counsel, and accountant. The enclosures and attachments listed below are attached to the copies as noted.

Enclosed are the following:

- Attachment No. 1 - Final Project Planning Factors (All copies)
- Attachment No. 2 - RD Instruction 1942-A, Section 1942.17
(Applicant copy)
- Attachment No. 3 - RD Instruction 1942-A, Section 1942.18
(Engineer/Architect copy)
- Attachment No. 4 - RD Instruction 1942-A, Section 1942.19
(Attorney and Bond Counsel copies)
- Attachment No. 5 - RD Instruction 3570-B
(Applicant copy)

Virginia Instruction 1942-A
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(Community Facility LOC)

Attachment No. 6 - Virginia Instruction 1942-A, Guide 1, with attachments
[Building Construction] (Engineer/Architect copy)
Attachment No. 7 - RUS Bulletin 1780-26 and Virginia RUS Bulletin 1780-1
[Utility-type Construction] (Engineer/Architect copy)
Attachment No. 8 - RD Instruction 1940-Q and all exhibits

INSERT THE APPROPRIATE SENTENCE: [The agreements you provided with your preapplication and application for engineering/architect and legal services have been found acceptable.] [You must provide agreements for engineering/architect and legal services for our review.] The costs for these services have been included in the project budget contained in Attachment No. 1.

[INSERT THIS PARAGRAPH FOR PUBLIC BODIES] We have reviewed the documents creating your _____ and (have found them acceptable) (the following changes are necessary).

[INSERT THIS PARAGRAPH FOR NON-PROFIT CORPORATIONS] Your documents concerning the creation of your _____ have been reviewed by our Office of the General Counsel and (have been found acceptable) (the following changes are necessary).

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of _____ years. The payments due the first _____ months will consist of interest only. Payments for the remaining _____ months will be equal amortized monthly installments. For planning purposes use a _____ interest rate and a monthly amortization factor of _____, which provides for a monthly payment of \$_____.

A debt service reserve is required and must be accumulated at the rate of 10% of the monthly debt payment until a sum equal to no less than one annual installment is accumulated.

You have the option of participating in the Preauthorized Debit (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due.

1. Loan Repayment - The loan will be scheduled for repayment over a period of _____ years. The payments due the first anniversary (and second anniversaries) will be interest only. Payments for the remaining _____ years will be equally amortized annual installments. For planning purposes, use a _____ interest rate and an annual amortization factor of _____, which provides for an annual payment of \$_____.

A debt service reserve is required and must be accumulated at the rate of 10% of the annual debt payments until a sum equal to no less than one annual installment is accumulated.

You have the option of participating in the Preauthorized Debit (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due.

2. Security - The loan must be secured by a General Obligation Bond which pledges the full faith and credit of the issuer and other agreements between you and Rural Development as set forth in the Bond (Resolution) (Ordinance) which must be properly adopted and executed by the appropriate officials of your organization. Additional security requirements are contained in Form RD 1942-47 (and Form RD 3570-3,) which is (are) mentioned later.
2. Security - The loan must be secured by a financing statement on all personal property financed with these loan (and grant) funds, all accounts and intangibles of the _____, and other agreements between you and Rural Development as set forth in Form RD 1942-9, Association Loan Resolution, (and Form RD 3570-3, Agreement for Administrative Requirements for Community Facility Grants) which must be adopted and executed by the appropriate applicant officials. Prior to the adoption of the Association Loan Resolution, the members of the Association, at a properly called meeting, must review and adopt Form RD 1942-8, Resolution of Members or Stockholders.

You must provide for us a description of the personal property. The description where possible must include the year, make, model, and serial number.

2. Security - The loan must be secured by a Deed of Trust having _____ priority, a financing statement on all personal property financed with these loan (and grant) funds, a Security Agreement using Virginia Form RD 440-4, all accounts and intangibles of the _____, and other agreements between you and Rural Development as set forth in Form RD 1942-9, Association Loan Resolution, (and Form RD 3570-3, Agreement for Administrative Requirements for Community Facility Grants) which must be adopted and executed by the appropriate applicant officials. Prior to the adoption of the Association Loan Resolution, the members of the Association, at a properly called meeting, must review and adopt Form RD 1942-8, Resolution of Members or Stockholders.

You must provide us with an "as-developed" real estate appraisal, performed by a qualified licensed appraiser, that shows the value of the property serving as security for the loan is equal to, or greater than, the proposed loan(s).

Your attorney must provide us with a description of the real property, including a plat, which will be included in the Deed of Trust, and a title insurance binder.

Virginia Instruction 1942-A
Exhibit B, Page 4
(Community Facility LOC)

3. Bond Counsel - The services of a recognized bond counsel are required. The bond counsel will prepare the form of (Resolution) (Ordinance) to be used, in accordance with RD Instruction 1942-A, Section 1942.19. You should immediately provide your bond counsel with a copy of this letter of conditions and its attachments and enclosures.
4. Facility Control - Prior to advertisement for construction bids, you must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands needed for the project. Such evidence must be in the following form:
 - a. A right-of-way map showing clearly the location of all lands and rights needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
 - b. Copies of deeds, contracts, leases, or options for any real estate needed, other than rights-of way, along with a preliminary title opinion covering such lands. Form RD 1927-9, Preliminary Title Opinion, may be used. Also in the case of existing facilities where the _____ has already acquired real property (land or facilities), a preliminary title opinion must be provided.
 - b. Copies of deeds, contracts, leases, or options for any real estate needed along with a title insurance binder for same. In cases of existing facilities, this will also include previously acquired rights. The binder will be in the amount of the proposed loan and name the United States of America, acting through the United States Department of Agriculture, as the proposed insured.
 - c. Immediately after closing, a final title opinion showing no exceptions must be provided.
 - c. Immediately after closing, a Title Insurance Policy showing no exceptions must be provided.
 - d. A copy of the right-of-way easements for any rights-of-way needed on private lands. Form RD 442-20, Right-of-Way Easement, may be used. Each easement need not be provided this office; however, each must be available for Rural Development review. A copy of the easement to be used must be approved by Rural Development.
 - e. Form RD 442-21, Right-of-Way Certificate, and Form RD 442-22, Opinion of Counsel Relative to Rights-of-Way, must be completed. These forms may contain a few exceptions such as properties that must be condemned; however, prior to start of construction or loan closing, whichever occurs first, new Forms RD 442-21 and 442-22, which do not provide for any exceptions, must be provided.

If rights-of-way are not needed for the proposed project, a certification to that effect from your attorney will satisfy items a, d, and e above.

5. Permits - Copies of all permits needed for the project or a statement of permit availability from the permit issuer must be provided for our review prior to advertisement for construction bids. Such permits may include but are not limited to the following:

- Zoning Code Permits
- Building Code Permits (including erosion & sedimentation control plans)
- Virginia Department of Highways and Transportation
- Railroads
- State Department of Health
- Department of Environmental Quality
- Corps of Engineers
- State Corporation Commission
- Marine Resources Commission

In addition, you must provide a narrative opinion from your attorney which identifies and addresses the need and adequacy of all certificates, permits, licenses, etc., needed for the construction and operation of the facility.

6. Accounting - You must enter into an audit agreement with a qualified accountant. You must obtain from your accountant the following:
- a. Prior to advertisement for bids, your accountant must state in writing that he will establish your accounts and records in accordance with the requirements of the (Loan Agreement) (Resolution) (Ordinance), and the requirements of the State Corporation Commission, if applicable, within 20 days from the notice to do such.
 - b. Prior to loan closing or the start of construction, whichever occurs first, the accountant must certify that the accounts and records as required in (a) above have been established and are operational.

A Rural Development representative may want to review your accounts and records.

6. Accounting - You must maintain an audit agreement with a qualified accountant. You must obtain from your accountant a certification that the records and accounts required by your previous USDA financing have been established and are operational.

A Rural Development representative may want to review your accounts and records.

Virginia Instruction 1942-A
Exhibit B, Page 6
(Community Facility LOC)

7. Audit Requirements - Audited financial statements shall be submitted on an annual basis in accordance with the Government Auditing Standards (GAAS), General Accepted Accounting Principles (GAAP), and the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, 1994 revision, and any subsequent revisions.

Audits performed in accordance with OMB Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations," are based upon the amount of Federal financial assistance expended during a borrower's fiscal year from a Federal source. **Borrowers expending Federal financial assistance over \$300,000 are required to have an OMB Circular A-133 audit. Borrowers expending less than \$300,000 in Federal financial assistance are required to submit financial statements, either GAAS, GAGAS, or management reports, based upon loan balances and prevailing Federal regulations.**

In addition to the audit required above, RD Instruction 1942-A (Attachment No. 2) outlines management reports which must be submitted to Rural Development. As soon as the facility is operational, you will be required to provide these reports.

8. Insurance and Bonding Requirements - Prior to loan closing or start of construction, whichever occurs first, you must acquire the following insurance and bond coverage:
- a. Liability and Property Damage Insurance - (1) The project will be reviewed for liability and property damage needs, and amounts will be established accordingly, and (2) public liability and property damage insurance will be obtained on all vehicles driven over public highways.
 - b. Workers' Compensation - In accordance with appropriate State Laws.
 - c. Position Fidelity Bond Coverage - You must provide evidence of adequate fidelity bond coverage for all persons who have access to funds by loan closing or start of construction, whichever occurs first. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage will normally approximate the total annual debt service requirements for your RHS loan. Form RD 440-24, Position Fidelity Schedule Bond, may be used for this purpose. We encourage you to have your attorney, consulting engineer/architect, and/or insurance provider review proposed types and amounts of coverage, including any deductible provisions. Rural Development must agree on the acceptability of proposed coverage. You must continue to provide evidence to Rural Development that adequate coverage is being

maintained for the life of the loan. This is your responsibility, not that of Rural Development.

- d. National Flood Insurance - In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:
 - 1. If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
 - 2. Applicants whose buildings, machinery, or equipment are to be located in an area which has been notified as having special flood or mudslide prone areas will not receive financial assistance where flood insurance is not available.
 - e. Property Insurance - Before loan closing, you must purchase property insurance in the amount of the initial contract sum, as well as subsequent modifications thereto, for the entire work at the site on a replacement cost basis without voluntary deductibles. Such property insurance shall be maintained until final acceptance of the work. This insurance shall include interests of the owner, the contractor, sub-contractors, and sub-subcontractors in the work. Property insurance shall be on an all-risk policy form and shall insure against the perils of fire, extended coverage, and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, false-work, temporary buildings, and debris removal, including demolition occasioned by enforcement of any applicable legal requirements. The policy shall cover reasonable compensation for architect's or engineer's services and expenses required as a result of the loss.
 - f. Real Property Insurance - Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all above-ground structures to include machinery and equipment housed therein, in an amount equal to the insurable value thereof.
9. Procurement - You may use competitive negotiation for the construction of your facility. Your engineer/architect must develop the plans and specifications and a request for proposal. Prior to soliciting for offers, Rural Development must review and approve the request for proposal (RFP) and plans and specifications.
9. Procurement - You may proceed to acquire the proposed vehicles and/or equipment by competitive negotiation. You must develop a Request for Proposal (RFP) and specifications. Rural Development must review and give prior approval to the specifications and RFP before soliciting for offers.

Virginia Instruction 1942-A
Exhibit B, Page 8
(Community Facility LOC)

Following the receipt of offers, Rural Development must be provided with the following:

- a. Summary of all offers
- b. Copy of the successful offer
- c. Narrative summary of all negotiations
- d. Copy of notice to all unsuccessful offerors
- e. Copy of resolution of tentative award

10. Contract Documents (Equipment and Buildings Under \$100,000)

- a. Request for proposal (RFP)
- b. Plans
- c. Specifications
- d. VA Instruction 1942-A, Guide 2, Construction Contract; OR
- d. Other contract covering the purchase of equipment

The following information and records must be established and maintained:

1. Copy of successful offer
 2. Summary of all offers and a narrative summary of all negotiations
 3. Revised project budget based on successful offer
 4. Engineer/Architect recommendation of award
 5. Resolution (owner's) of tentative award
 6. Notice to unsuccessful offeror(s)
9. Procurement - You are required to competitively bid the proposed project. Your architect/engineer must develop the contract documents in accordance with the requirements of Item 10.
10. Contract Documents (Buildings over \$100,000) - Prior to the approval of plans and specifications, you must submit the following items to Rural Development for review and approval: Construction contract documents prepared in accordance with RD Instruction 1942-A, Guide 27, as supplemented by Virginia Instruction 1942-A, Guide 1, as well as final plans, specifications, and all addenda.
10. Contract Documents (Utility Type) - The contract documents should consist of the following and must be submitted to Rural Development for approval:
- a. The documents listed in RUS Bulletin 1780-26 and Virginia RUS Bulletin 1780-1.
 - b. Plans and specifications and all addenda.

NOTE: For competitively negotiated contracts, the invitation to bid, instructions to bidders, and bid forms are to be deleted and a request for proposal substituted in its place.

11. Code of conduct - Owners shall adopt and maintain a written code or standards of conduct which shall govern the performance of their officers, employees, or agents engaged in the award and administration of contracts supported by RHS funds. No employee, officer, or agent of the owner shall participate in the selection, award, or administration of a contract supported by RHS funds if a conflict of interest, real or apparent, would be involved.
12. Interim Financing - Interim financing must be used for the RHS loan provided such funds can be borrowed at reasonable rates and terms. You must provide Rural Development with a copy of the tentative agreement reached in connection with interim financing.
13. Other Funds - Prior to advertisement for construction bids, you must provide evidence showing the availability of the other funds.
14. Disbursement of RHS Grant Funds - RHS grant funds will be advanced as they are needed in the amount necessary to cover the RHS proportionate share of obligations due and payable by the _____ (insert applicant's name). Interest earned on grant funds in excess of \$_____ (insert **\$250** for non-profit applicants **OR \$100** for public body applicants) per year will be submitted to RHS at least quarterly as required in _____ (insert **7 CFR 3019** for non-profit applicants **OR 7 CFR 3016** for public body applicants).
15. Community Facilities Grant (CFG) - Attached is a copy of Form RD 3570-3, Agreement for Administrative Requirements for Community Facility Grants, for your review. You will be required to execute a completed form at the time of grant closing.

CFG assistance is subject to the interest of the United States Government in the market value of the property attributable to the Federal participation in this project provided by 7 CFR, parts 3015, 2016, or 3019 et seq as subsequently modified.

CFG assistance is subject to the provisions of Title VI of the Civil Rights Act of 1964 and Section 504 of the Rehabilitation Act of 1973 and the regulations issued thereto. This covenant is in effect for as long as the property continues to be used for the same or similar purpose for which the financial assistance was extended or for as long as the grantee owns it, whichever is longer.

16. Agency Forms - You will be required to execute certain Agency forms in order to obtain financial assistance from RHS. By Resolution, these forms must be adopted and properly executed, and minutes showing the adoption must be provided.

17. Environmental Mitigation - As a result of the environmental review performed for this project, the following mitigation requirements must be accomplished:

Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving RHS financial assistance.

Rural Development may authorize you to advertise the project for construction bids once all required documents have been submitted. Such advertisement must be in accordance with appropriate State statutes. Immediately after bid opening, you must provide Rural Development with (a) a bid tabulation, (b) recommendations from you and your engineer/architect as to the acceptability of the bids received, (c) your recommendations for contract awards, and (d) a revised project budget based upon current prices.

If all parties then agree the construction bids received are acceptable and it is determined that adequate funds are available to cover the total facility costs and that all the administrative conditions of loan approval have been satisfied, loan closing instructions will be issued. The closing instructions, a copy of which will be forwarded to you, will set forth any further requirements that must be met before the loan can be closed. **LOAN CLOSING WILL NOT BE SCHEDULED UNTIL CLOSING INSTRUCTIONS ARE RECEIVED FROM RURAL DEVELOPMENT.** When all parties agree that the closing requirements can be met, a mutually acceptable date for the loan closing will be scheduled.

The Debt Collection Improvement Act (DCIA) of 1996 requires that all Federal payments be made by Electronic Funds Transfer/Automated Clearing House (EFT/ACH). Borrowers receiving payments by EFT will have funds directly deposited to a specified account at a financial institution with funds being available to the recipient on the date of payment. The borrower should complete Form SF-3881, Electronic Funds Transfer Payment Enrollment Form, for each account where funds will be electronically received. The completed form(s) must be received by Rural Development at least thirty (30) days prior to the first advance of funds.

As a recipient of federal financial assistance, you must comply with all applicable federal, state, and local statutes, ordinances, regulations, and codes. The major portion of existing RD rules and regulations which must be met are included in RD Instruction 1942-A (Attachments 2, 3, and 4) [and RD Instruction 3570-B, Attachment 5]. No modifications or waiver of any portion of these regulations is authorized. Such regulations shall govern regardless of any misinterpretation, omission, misunderstanding, or statements made by any Rural Development employee. The most critical requirements of the instructions have been highlighted or clarified in this letter.

In addition, you will be required to refinance the unpaid balance of the proposed loan, in whole or in part, upon the request of the government if at any time it shall appear to the government that you are able to refinance your obligation by obtaining a loan for such purposes from responsible lending sources at reasonable rates and terms for loans for similar purposes and periods of time.

The applicant contribution shall be considered first funds expended except _____(insert appropriate exceptions if funds from other sources make an exception necessary). After providing for all authorized cost, any remaining RHS funds will be considered to be grant funds and will be refunded to RHS. If the amount refunded exceeds the RHS grant, then that part would be considered RHS loan funds.

We believe the information herein clearly sets forth the action which must be taken; however, if you have any questions, please do not hesitate to contact my office.

Please complete and return the enclosed Form RD 1942-46, Letter of Intent to Meet Conditions, if you desire that further consideration be given to your application.

If the conditions set forth in this letter are not met within _____ months from the date hereof, Rural Development reserves the right to discontinue processing of the application.

Sincerely yours,

Rural Development Manager
USDA, Rural Development

cc: Deputy Administrator, Community Programs, RHS, Washington, D.C.
State Director, Rural Development, Richmond, VA
Attorney
Bond Counsel
Accountant
Engineer/Architect

Attachment No. 1
Letter of Conditions
For: _____
Dated: _____

PROJECT PLANNING FACTORS

The following estimates are to be used as a basis for project planning and must not be changed without prior approval of Rural Development:

PROJECT COSTS

Construction	\$ _____
Contingency	_____
Equipment	_____
Legal Fees	_____
Title Insurance	_____
Technical Fees:	
Architectural:	
Basic	_____
Additional	_____
Engineering:	
Basic	_____
Additional	_____
Inspection	_____
Interest	_____
Other	_____
 TOTAL	 \$ _____

FUNDING

RHS Loan	\$ _____
RHS Grant	_____
Other	_____
Borrower Contribution	_____
 TOTAL	 \$ _____

OPERATING BUDGET - TYPICAL YEAR

Income

Operating Income	\$ _____	
Non-operating Income	_____	
Other	_____	
 TOTAL	 \$ _____	 \$ _____

Expenses

Administrative Expenses	\$ _____	
Insurance	_____	
Taxes	_____	
Operating Expenses	_____	
Operation and Maintenance	_____	
Debt Service	_____	
Debt Reserve	_____	
Other	_____	
 TOTAL	 \$ _____	 _____

BALANCE		\$ _____
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POSITION 1
Rev. 06/01

Date of Completed Pre-Appl. _____
Date of Completed Appl. _____

PROCESSING CHECKLIST
(Community Facility)
1942-A Instructions

AREA OFFICE: _____

APPLICANT: _____

COUNTY: _____

TYPE PROJECT: Community Bldg _____ Hospital _____ OTHER _____

	Name	Address	Telephone
Applicant			
Contact Person			
Local Counsel			
Attorney			
Architect			
Accountant			

Checklist Codes:

Appl - Applicant/Owner
Att - Attorney
Eng. - Engineer
Arch - Architect
PDC - Planning District
AO - Area Office
SO - State Office
CF - Construction File
EF - Environmental File

RCFTS Codes:

101 - Received completed Pre-Application
112 - Notified to develop application
120 - Documents Required
201 - Application Received
215 - Letter of Conditions issued
230 - Suspense
302 - Obligated
360 - Closed
401 - In operation

STAGE I. PREAPPLICATION

SO USE	FORMS	DOCUMENT/ACTION	FILE POS. TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	SF424-1 SF424-2	Pre-application for Federal Assistance	3 Project	1942.17(m)(5)	Appl	Indefinite	
	Memo	Notification of Intent to apply for assistance	3 Project	1942.2(a)	Appl	Indefinite	
	Letter	Planning District review	3 Project	1942.17(m)(5)	Appl	Indefinite	
	SF424.1 SF424.2	Tax ID Number(_____)	3 Project	1942-A	Appl	Indefinite	
	N/A	Organizational Documents a. ByLaws b. Cert. Of Incorp. & Amendments c. Art. Of Incorp. & Amendments d. Certification of Existence e. Atty's opinion reorganization & Auth.	5 Project	1942..2(a)(1)(v)	Appl	Indefinite	
	N/A	Organizational Documents Reviewed by OGC	5 Project	1942.17(k)	OGC	Indefinite	
	442-3	Current Balance Sheet/Audit	3 Project	Guides 5,6,7,8,9 or 10		3 Years	
	Letter	Certification of inability to obtain credit elsewhere (letter from Applicant citing rates & terms from at least 2 contacts)	3 Project	1942.17(b)(3)	Appl	Indefinite	
	1910-A	a) Current/Past Debt History with RD b)CAIVRS	3 Project	1910.5 ADP Screen	AO	Indefinite	
	N/A	RD Cert of basis for which loan is made a. 5 yrs. Successful operation b. Assured income c. Exceptional Community Support	3 Project	1942.17(g)(2)(iii)	AO	Indefinite	
	N/A	Evidence of Successful Financial Operation (History) - 5 years	3 Project	1942.17(g)(2)(iii)	Appl/Atty	5 years	
	N/A	Contract of Assured Income	5 Project	1942.17(g)(3)	Appl	Indefinite	
	Guide 5or6	Applicant's Feasibility Report or Preliminary Eng./Arch report & Feasibility	6 Project	1942.17(h)(1)(I)	Eng./Arch	Indefinite	
	1940-Q Exh. A-1	Lobbying Certification	3 Project	1940.810	Appl	Indefinite	
	AD-1047	(a)Debarment/Suspension Certification (b)Screenprint of Name Search on Internet	3 Project	1940-M	Appl AO	Indefinite	
	1900-D	Interview concerning relatives working with RD (Document)	3 Project	1942-A Inst. 1942.1;	AO	Indefinite	

SO USE	FORMS	DOCUMENT/ACTION	FILE POS. TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	3570-1 3570-2	a. Project Selection Criteria b. Project Selection Criteria (Grants) c. Worksheet for Computing Max. Grant Asst.	1 1 1 Project	1942-A, 3570-B Guide 26, Part 1	AO AO AO	Indefinite	
	N/A	Eligibility Determination and recommendation.	3 Project	1942.2(a)(1) (i)	AO	Indefinite	
	N/A	Tracking Information Add New Borrower or Facility Screen CP00/CP03/CP05/CP08/CP12	1 Project	RCFTS Screens Sect 3 in Ustr Man. Cde (101)	AO	Indefinite	
	N/A	Agreement for Architectural Services	6 Project	AIA form	Arch	Indefinite	
	Guide 14	Legal Services Agreement	5 Project	1942-A		Indefinite	
	N/A	Agreement for Architect Services to SO for approval	6 Project	AIA	Appl/Arch	Indefinite	
	N/A	Legal Services Agreement to SO for approval	5 Project	1942-A	Atty	Indefinite	
	Memo	Request Authorization to Process	3 Project	1942.17(c)(2)(iv)	AO	Indefinite	
	Memo	Authorization to Process Received from SO	3 Project	1942-A	AO	Indefinite	
	Memo	Approved Architect Agrmt. rec'd from SO Approved Legal Services Agrmt. rec'd from SO	5 Project	1942-A	SO	Indefinite	
	AD-622	Notice of Preapplication Review Action	3 Project	1942.2(a)(5)	AO	Indefinite	

STAGE II. APPLICATION

SO USE	FORMS	DOCUMENT/ACTION	FILE POS. TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	Memo	Application Conference	3 Project	1942.2(c)(3)	AO	Indefinite	
	Memo	Confirmation Letter - (Application Conference)	4 Project	1942.2(c)(3)	AO	Indefinite	
	SF-424.1 or SF-424.2	Application for Federal Asst	3 Project	1942-A	Appl	Indefinite	
	SF-3881	Obtain Banking information from Borrower and populate EFT Data Base	3 Project	EFT Handbook	AO	Indefinite	

ENVIRONMENTAL COMPLIANCE
(To be conducted concurrently with the Application Phase)
(ENVIRONMENTAL ASSESSMENT MUST BE APPROVED PRIOR TO OBLIGATION)

SO USE	FORMS	DOCUMENT/ACTION	FILE POS. TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	1940-22	Categorical Exclusion	3 Project	1940-G	AO	Indefinite	
	1940-21 1940-20	Environmental Assessment for Class I Action Class I Assessment includes copies of: 1) Clearinghouse Comments 2) FEMA 3) Civil Rights Impact Stmt. w/attachments 4) FONSI	3 Project	1940-G	AO	Indefinite	
	Exh. C	Public Preliminary Notification Flood Plain/Wetland Farmland Environmental Impact	EF	1940-G	Appl	Indefinite	
	N/A	Final Public Notification Flood Plain/Wetland Environmental Impact (Class I Assessment)	EF	1940-G	AO	Indefinite	
	Exh. H	Environmental Assessment for Class II Action	EF	1940-G	AO	Indefinite	
	N/A	Public Notification (FONSI) and Final Floodplain/Wetland Notice (Class II Assessment)	EF	1940-G	AO	Indefinite	

NOTE: FONSI Notice and 15 day comment period must be over prior to issuance of Letter Of Conditions to Applicant

	442-2	Copy of Present overall budget	3 Project	1942-A	Appl	Indefinite	
	Guide 24	Proposed Agreements/mgmt Auditing Accounting	7 Project	1942.17(q)	Appl	Indefinite	
	N/A	Review of Accounting Auditing Procedures	7 Project	1942.17(r)	AO	Indefinite	
	N/A	Evidence of Availability of Flood Insurance	7 Project	1942.18(d)(1)	Eng./Arch	Indefinite	
	442-20	Right-of-way Easements	5 Project	1942.17(j)(4)(l)	Atty	Indefinite	
	442-21	Right-of-way Certificate	5 Project	1942.17(j)(4)(l)	Appl	Indefinite	
	442-22	Opinion of Counsel relative to Rights-of-way	5 Project	1942.17(j)(4)(l)	Atty	Indefinite	
	1927-9	Preliminary Title Opinion	5 Project	1942.17(j)(4)(l) (B)	Atty	Indefinite	
	3570-3	Requirements for C.F. Grants	2 Project	3570-B	AO	Indefinite	
	N/A	Evidence of "Other" funds	2 Project	1942.17(n)(6)		Indefinite	
	1924-14	Fund Analysis	3 Project	1942.5(c)	AO	Indefinite	

**Virginia Instruction 1942-A
Guide 3, Page 5**

SO USE	FORMS	DOCUMENT/ACTION	FILE POS. TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	1942-43	Project Summary	3 Project	1942.5(a)(1)	AO	Indefinite	
	442-7	Operating Budget	3 Project	1942.5(c)	AO	Indefinite	
	N/A	Obtain Interim Credit	2 Project	1942.17(n)(3)	Appl	Indefinite	
	LOC	Submit Letter of Conditions (Draft) to SO for approval.	3 Project	1942.5(a)(1)	AO	Indefinite	
	N/A	Update Tracking CP05, CP06, CP08, CP09, CP11, CP12, & CP14	1 Project	RCFTS Screens Sec 3 in Usr Man Cde 215 & 230 etc.	AO	Indefinite	
	440-34	Deeds or Option(s) to Purchase	5 Project	1942.17(j)(4)(l)	Appl	Indefinite	
	Memo	Evidence of Commitments from other agencies	2 Project	1942.17(n)(6)	Appl	Indefinite	
	N/A	Final Plans, Specifications and Bid documents	6 Project	1942.18	Eng./Arch	Indefinite	
	442-21	Right-of-way Certificate	5 Project		Eng./Arch	Indefinite	
	1942-47	Loan Resolution	6 Project	1942.17(n)(2)	Appl	Indefinite	

Other Area Office Requirements

STAGE III. DOCKET

SO USE	FORMS	DOCUMENT/ACTION	FILE POS.	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	1942-43	Submit Project Summary to SO with written RDM's recommendations	4 Project	1942-A	AO	Indefinite	
	Memo	Public Notice Meeting	3 Project	1942.17(j)(9)	Atty	Indefinite	
	Appraisal	Appraisal of Chattel Property/Real Estate	8 Project	1942-A	Appraiser	Indefinite	
	Memo	Authorization given to Advertise/Receive Bids	6 Project	LOC	SO/AO	Indefinite	
	Memo	Bid Opening	CF	LOC	Eng.	3 YEARS	
	Memo	Submit Bid Tabulations and Recommendations to SO	CF	1942.18	AO	3 YEARS	

Virginia Instruction 1942-A
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	1924-14	Fund Analysis (Revised based on Bids)	2 Project	1942.5(c)	AO	Indefinite	
SO USE	FORMS	DOCUMENT/ACTION	FILE POS. TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	Memo	Auth to deliver LOC.	3 Project	1942.5(a)(3)	SO	Indefinite	
	Memo	Conference to discuss Letter of Conditions	3 Project	1942.5(c)	AO	Indefinite	
	1942-9	Loan Resolution (Security Agreement)	5 Project	1942.17(n)(2)	Atty	Indefinite	
	400-1	Equal Opportunity Agreement	5 Project	1942.17(n)(2)(x)	Atty	Indefinite	
	400-4	Assurance Agreement	5 Project	1942.17(n)(2)(x)	Atty	Indefinite	
	1942-46	Letter of Intent to meet Conditions	3 Project	1942.5(c)	Appl	Indefinite	
	1940-1	Request for obligation of funds	2 Project	1942.5(c)(3)	AO	Indefinite	
	Exh. B Att. 1	Lower Int. Rates Certification	2 Project	1942.5(d)	AO	Indefinite	
	1910-11	Application Certified Federal Collection Policies	3 Project	1942.5(a)(1)(I)	Appl	Indefinite	
	AD-1048	Certification concerning Debarment etc. (Lower Tier Transaction where contracts equal or exceed 25,000.)	3 Project	1940-M	Appl	Indefinite	
	AD-1049	Drug Free Workplace Certification (Grants Only)	3 Project	1940-M	Appl	Indefinite	
	Memo	Minutes Adopting the Drug Free Workplace Program (Grants Only)	3 Project	1940-M 1940.606(b)(2)	Appl	Indefinite	
	N/A	Resolution accepting LOC and mitigation measures for environmental (as needed)	5 Project	Doc. of Min.	Appl	Indefinite	
	Memo	Certified list of officers & directors & terms of office	5 Project	1942.17(g)(2)	Appl	Indefinite	
	N/A	Update Tracking CP10 & CP12	1 Project	RCFTS Screens Sec 3 Usr Man Cde 302 etc.	AO	Indefinite	

FORWARD OBLIGATING DOCUMENTS TO STATE OFFICE

	Memo	Request Loan Closing Instructions	4 Project	1942.6(a)	SO/OGC	Indefinite	
	N/A	Update Tracking CP11, CP12, and CP14 (as needed)	1 Project	RCFTS Screens Sec 3 Usr Man	AO	Indefinite	
	N/A	Construction Contracts completed and executed	CF	Guides 17,18 & 19	Eng.	3 YEARS	
	N/A	Executed Construction Contracts submitted to SO for Approval	CF	1942.9(a)	AO	3 YEARS	
	Memo	Concurrence in Contract Awards	CF	1942.9(b)	SO	Indefinite	

Other Area Office Requirements

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STAGE IV. CONSTRUCTION

SO USE	FORMS	DOCUMENT/ACTION	FILE POS.	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	440-24	Certification concerning Insurance & Fidelity Bond	7 Project	1942.17(j)(3)	Appl	Indefinite	
	1924-16	Preconstruction Conference	CF	1942.18(o)(1)	Eng.	3 Years	
	N/A	Final Debarment Certified	3 Project	Internet	AO	Indefinite	
	400-8	Compliance Review And Justice for all poster	5 Project	1942.6(c)	AO	Indefinite	
	N/A	Notice to Proceed with construction	6 Project	Memo	Eng.	Indefinite	
	402-2	Statement of Deposits and withdrawals - Monitor Funds	CF	1942.17(p)(3)	AO	Indefinite	
	1924-12	Periodic Inspections	CF	1942.18(o)(5)	AO	Indefinite	
	1924-12 1924-18 SF-271	Prefinal Inspection and close-out documents consisting of: Inspection Report Final Pay Estimate Final Outlay Report Applicant's acceptance Engineer's certification As-Built Drawings Evidence of O&M Manual Evidence of Warranty Punch List	CF	1942.18(o)(5)	AO & Appl & Insp. Eng.	Indefinite	
	1924-12	Final Inspection	CF	1942.18(o)(6)	Appl/Eng. AO/Cont	Indefinite	

STAGE V. LOAN CLOSING

SO USE	FORMS	DOCUMENT/ACTION	FILE POS.	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	Memo	Arrange Loan Closing Date with SO	3 Project	1942.17	AO	Indefinite	
	Memo	Current Certified List of Officers & Terms of officers as of closing date	5 Project	1942.17		Indefinite	
	Memo	Evidence of Bills paid to date	6 Project	1942.17(n)(3)	Appl	Indefinite	

SO USE	FORMS	DOCUMENT/ACTION	FILE POS.	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	N/A	Loan Closing w/Documents <ul style="list-style-type: none"> • Promissory Note • Deed of Trust • Security Agreement • Financing Stmt - SCC and Local • Insurance Cert. • Final Title Opinion or Title Insur. • Final Survey • Certificate of Occupancy • Consent of Surety Co. - Cert. • Contractor Release • FmHA 1924-9 • Contractor's Final Pay Estimate • Approval of Septic , Water Sys. • Atty. Settlement Sheet on Disb. • Evidence of Bills Paid to Date • Completed 402-2 if Applicable • Applicant's Certificate of Occupancy • Atty. Cert. per Loan Closing • Atty. Cert of Lien Position 	5 Project	1942.17(o) OGC Inst.	AO/Atty.	Indefinite	
	N/A	Request Loan Funds	2 Project	EFT/ACH	AO	Indefinite	
	N/A	Final Bond Transcript Portfolio	Sep. File	1942.17(j)(6) (ii)	Bond Counsel	Indefinite	
	N/A	Identification of Grant Funds Use (File with Grant Agreement)	2 Project	3570-B	AO	Indefinite	
	1927-10	Final Title Opinion (Narrative)	5 Project	1942.17(j)94) (I)(B)	OCG	Indefinite	
	N/A	Update Tracking CP04, CP05, CP06, CP07, CP10 and CP12	1 Project	RCFTS Screens Sec 3 Usr Man Cde 360 etc.	AO	Indefinite	
	N/A	Post Reviews	5 Project	1942.17(o)(4)	SO/OGC	Indefinite	

STAGE V. LOAN CLOSING

SO USE	FORMS	DOCUMENT/ACTION	FILE POS.	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	N/A	Determine in operation date (update RCFTS)	1 Project	RCFTS screens Sect. 3 Usr Man Code 401	AO	Indefinite	
	442-4	RDM's Report Between 9th & 11th month of first year operation & inspection report end of 11th month of operation.	Serv. File	1942-12	AO	Indefinite	

CLOSING GUIDELINES FOR ESSENTIAL COMMUNITY
FACILITIES LOANS TO NON-PROFIT (NON-PUBLIC) BODIES

A. General

1. Administrative. The following materials should be reviewed to assure full compliance with all administrative requirements:
 - a. FmHA Instruction 1942-A
 - b. Letter of Conditions (including any amendments)
 - c. Correspondence from the Program Director
 - d. Correspondence from the National Office
2. Taxes. Make certain that all taxes and assessments against the real estate, which are due and payable at the time of closing, have been paid and require tax receipts to be produced at loan closing.
3. Insurance. Make certain that the borrower furnishes policies and/or certificates of insurance at closing in form and substance administratively acceptable to you in light of Agency instructions and the letter of conditions.
4. Civil Rights. Confirm that the following fully executed Civil Rights forms are in the docket:
 - a. Form RD 400-1, Equal Opportunity Agreement
 - b. Form RD 400-4, Assurance Agreement
 - c. Form RD 400-8, Compliance Review, in accordance with RD Instruction 1901-E
5. Environmental Review. Confirm that a completed and executed environmental review, under 1940-G, is in the docket. If the assessment indicates that an environmental impact statement must be filed, this must be accomplished prior to loan closing.
6. Intergovernmental Review Comments. Confirm that approval has been received from the local Planning District Commission. Note any comments received and confirm that the Applicant intends to comply with such comments. If the applicant expresses a contrary intention, the Program Director should be notified immediately in detail. The notified Program Director should be consulted with respect to the legal ramifications of any such noncompliance.

B. Organizational Papers

1. Articles of Incorporation. Confirm that the borrower has furnished a copy of its current Articles of Incorporation. These should be manually certified by its Secretary or the State Corporation Commission as being a true and correct copy of the original, including any amendments. The Articles of Incorporation should be checked to be certain that:

- a. The borrower's correct legal name is being used on all the loan instruments.
 - b. The borrower has the power to borrow money and carry out the purposes of the loan.
 - c. The members are not specifically authorized to vote on corporate mortgages. If they are, such provisions must be complied with along with section 13.1-846 (1989) of the Code of Virginia.
 - d. The borrower's term of existence is at least as long as the loan.
2. By-Laws. Confirm that the borrower has furnished a current copy of its By-Laws. These should be manually certified by its Secretary as being a true and correct copy of the original, including any amendments. The By-Laws should be checked to be certain that:
- a. The titles of the officers used in the loan instruments are correct.
 - b. The provisions of the By-Laws do not conflict with any provision of the Articles of Incorporation or any amendments thereto.
 - c. There are no provisions which would violate the Civil Rights Agreements described in A.4 hereof.
 - d. There are no restrictions on borrowing funds, pledging assets, or other transactions contemplated by the loan instruments.
3. Certificate of Good Standing. The borrower should furnish an original Certificate of Good Standing from the State Corporation Commission. The certificate should be dated as close to the date of closing as practicable and should be checked to be certain that the borrower's name is the same as the one being used on the loan instruments. The certificate should not be any older than one (1) year from the date of closing.

C. Resolutions

1. Form RD 1942-8. Confirm that Form 1942-8 has been duly adopted by the general membership of the borrower. The borrower's Secretary must complete the certification on the bottom to the effect that the resolution is still in effect and has not been amended. If Form 1942-8 was not adopted, then borrower's counsel must supply a legal opinion addressed to RUS stating that such approval by the membership is not necessary.
2. Form RD 1942-9. Confirm that Form 1942-9 has been duly adopted by the members of the borrower's governing Board of Directors and executed by the President and Secretary. The borrower's Secretary should complete the certification at closing to the effect that the resolution is still in effect and has not been amended.

3. Member's Approval of Deed of Trust/Mortgage. If the borrower's Articles of Incorporation or By-Laws specifically entitle members to vote on a mortgage or pledge of corporate assets, confirm that the request for closing instructions identified this requirement and confirm that OGC sent specific instructions concerning compliance with Sections 13.1-899 (1989) and 13.1-900 (1989) of the Code of Virginia. Contact the Program Director well before closing if any discrepancies are noted.

D. Execution of Instruments

1. All loan and security instruments must be executed and attested by those officials authorized to do so in the Articles of Incorporation and By-Laws and in the manner required by the Articles of Incorporation and By-Laws.
2. Manual Signature. All legal instruments should be manually executed originals. The name and title of the person signing should be typed or printed above or below his signature. The original manual signature of the Secretary should appear on all corporate organizational papers and proceedings furnished to RUS. Originals should be retained by RHS.
3. Seal. The borrower's corporate seal should be impressed on all documents. Check sealed instruments carefully to be certain that the correct seal is used.
4. Dates. Legal instruments E.1 and E.2 below should be dated and executed as of the date of loan closing.
5. Blanks. All instruments should be carefully checked to see that all blanks have been properly filled in.

E. Legal Instruments

1. Promissory Note. The authorized officials, as set forth in the Articles of Incorporation and By-Laws, must execute and deliver the borrower's Promissory Note on Form RD 440-22. Only one original note should be created and it would be retained by RHS in a safe place in accordance with regulations.
2. Corporate Deed of Trust. The legal description of the premises must be carefully checked and must be satisfactory to RHS and to the borrower's counsel. The instruments must be dated, executed, acknowledged, and filed in the land records in the Clerk's Office for the county, city, or district where the land lies. This should be done on the day of closing under the supervision of the borrower's counsel. If RHS does not desire a lien on real estate, no mortgage should be executed.
3. Financing Statement. All financing statements will be filed with the State Corporation Commission (SCC) with the exception of fixture filings, which are to be filed locally. If you have both equipment and fixtures to be filed, file the equipment with the SCC and the fixtures with the local County. Fixtures are defined as goods that have become so related to a particular real property that an interest in them arises under real property law. If a lien on motor vehicles is

intended, the provisions of E.5 below must be complied with. If a subsequent loan is being made to an existing borrower and the same security is being taken as covered by existing financing statements, it is not necessary to file new financing statements. However, the existing financing statements must be continued until all loans covered by the security are satisfied.

4. Grant Agreement. In the event a grant is also to be made to the applicant, the grant may be closed in accordance with RD Instruction 3570-B, provided that these closing instructions have also been complied with and duly authorized officials of the applicant have fully executed Form RD 3570-3, Agreement for Administrative Requirements for Community Facilities Grants.
5. Leaseholds. If the borrower is occupying all or a portion of the premises pursuant to a lease, then confirm that this situation has been communicated to OGC in the request for closing instructions and that OGC has issued specific closing instructions on how this can be accomplished. Contact OGC before closing if any discrepancies are noted.
6. Liens on Motor Vehicles. Listing motor vehicles in the financing statement has no effect in Virginia. A security interest in motor vehicles is perfected by filing with the Division of Motor Vehicles on forms provided by it.
7. Security Agreement (VA Form RD 440-4). In all cases where we are taking a security interest in more than revenues only, a Security Agreement using Virginia Form RD 440-4 must be obtained. If we are taking a security interest in revenues only, the Virginia form of security agreement is not needed; however, Form RD 1942-9 must be executed by the borrower. You must insert specific descriptions of equipment in item 1. If revenues are not taken as security, insert "not applicable" in item 2.

F. Legal Opinions and Title Insurance

1. Approving Opinion. The borrower's counsel should deliver a manually signed approving legal opinion addressed to RHS and dated the date of closing in the format approved by OGC. This opinion should be on counsel's letterhead. Attachment 4 hereof is to be used as a guide. If the optional language on page 2 is used, the attorney must follow up with another letter which states the documents have been recorded and we have a valid first lien. The case should not be sent to the Program Director for post review until both letters are available.
2. Title Insurance. The borrower must furnish an acceptable title insurance policy endorsed in favor of the United States of America, acting through the United States Department of Agriculture. The policy must be in the amount of the proposed loan and all listed exceptions must be reviewed and accepted by the Agency.

G. Other Requirements

1. Generally. The preceding standard instructions are subject to modification to take into account special facts and circumstances. Be alert to the presence of such factors as the following:

- a. Second mortgage situations
- b. Leasehold mortgage situations
- c. Pledge of less than an entire tract of real estate
- d. Pledge of less than all of borrower's assets
- e. Absence of interim financing
- f. Parity loans
- g. Any other deviation from routine practice

Whenever such factors are present, confirm that their existence has been noted on the request for closing instructions and confirm that OGC has sent specific instructions on these points. Before closing, advise the Program Director of any discrepancies.

- 2. Specific Closing Instructions. Review and comply with any and all specific closing instructions which OGC may issue in a particular case. Such instructions may modify, amplify, or supersede one or more of the preceding instructions which are of a general nature.
- 3. Questions. Questions from the Rural Development Office should be directed in the first instances to the Program Director for referral to OGC in those instances where the Program Director believes additional legal counsel is advisable.

CLOSING GUIDELINES FOR ESSENTIAL
COMMUNITY FACILITIES LOANS AND GRANTS TO PUBLIC BODIES

At or before the closing for the financing, the following conditions must be satisfied:

1. General Requirements. There must be full compliance with all requirements specified in applicable Agency instructions; correspondence from OGC; any applicable correspondence from the Administrator's office; letter of conditions; Intergovernmental Review comments; and any Program Director's memorandums of approval.
2. Loan Resolution. Confirm that the applicant has duly adopted the fully executed Form RD 1942-47, Loan Resolution (Public Bodies).
3. Grant Agreement. In the event a grant is also to be made to the applicant, the grant may be closed in accordance with RD Instruction 3570-B, provided that these closing instructions have also been complied with and duly authorized officials of the applicant have fully executed Form RD 3570-3, Agreement for Administrative Requirements for Community Facilities Grants.
4. Civil Rights. Confirm that the following fully executed civil rights forms are in the docket:
 - a. Form RD 400-1, Equal Opportunity Agreement
 - b. Form RD 400-4, Assurance Agreement
 - c. Form RD 400-8, Compliance Review, in accordance with RD Instruction 1901-E
5. Environmental Review. Confirm that a completed and executed environmental review, under 1940-G, is in the docket. If the assessment indicates that an environmental impact statement must be filed, this must be accomplished prior to closing.
6. Intergovernmental Review Comments. Confirm that approval has been received from the local Planning District Commission. Note any comments received and confirm that the applicant intends to comply with such comments. If the applicant expresses a contrary intention, the Program Director should be notified immediately in detail. The notified Program Director should be consulted with respect to the legal ramifications of any such noncompliance.
7. Specimen Bond(s). Prior to closing, confirm that the terms of the specimen bond(s) are consistent with Agency instructions, the letter of conditions, and other obligating documents. Amortization schedules and maturity dates should be checked very carefully.
8. Certification of Payment. If loan proceeds will be used to retire interim indebtedness, the applicant must provide you with written statements in accordance with FmHA Instruction 1942-A, paragraph 1942.17(n)(3).

9. Examination of Executed Bond(s). The Rural Development Manager should examine the executed original Bond(s) at the closing to determine the following:
 - a. That the repayment and other terms of the Bond(s) are consistent with the letter of conditions and obligating documents.
 - b. That the Bond(s) has been fully executed by the proper officials of the applicant as recited on the face of the Bond(s).
 - c. That the persons executing the Bond(s) are officials of the applicant as shown on the General Incumbency Certificate.
 - d. That the applicant's seal is on the Bond(s).
 - e. That any authentication certificate contained on the Bond(s) has been properly executed.
 - f. That the Bond(s) is fully registered as to both principal and interest in the name of the United States of America.
 - g. That the place of payment shown on the face of Bond is correct and administratively acceptable.
 - h. The closing date, the delivery date, and the date of the initial delivery of funds must be the same date.
10. Dates, Seals, and Signatures. All certifications and opinions furnished by the applicant, local counsel, or bond counsel should be dated as of the date of closing. Wherever appropriate, the seal of the applicant should be impressed on materials being furnished by the applicant.
11. Bond Transcript. A bond transcript must be compiled by bond counsel in accordance with the requirements contained in RD Instruction 1942-A, paragraph 1942.19(c). Confirm that the bond transcript contains each of the following items:
 - a. Certified copies of all organizational documents, i.e., special acts, charter, bylaws.
 - b. General Incumbency Certificate (may sometimes be referred to as Signature Certificate).
 - c. Certified copies of minutes or excerpts therefrom of all meetings of the applicant's governing body at which action was taken in connection with the authorization and issuance of the Bond(s).
 - d. Certified copies of documents evidencing that the applicant has complied fully with all statutory requirements incident to the calling and holding of a favorable bond election unless bond counsel advises you this is not applicable.

- e. Certified documents evidencing that the applicant has complied fully with all statutory requirements incident to advertising the consideration and/or adoption of the bond ordinance unless bond counsel advises you that this is not applicable.
- f. Certified copies of the resolutions or ordinances or other documents, such as the bond authorizing resolution or ordinance and any resolution establishing rates and regulating the use of the improvements, if such documents are not included in the minutes furnished.
- g. Copies of official Notice of Sale and Affidavit of Publication of Notice of Sale unless bond counsel advises you that this is not applicable.
- h. Specimen Bond (of each denomination), with any attached coupons.
- i. No Litigation Certificate of Local Counsel (see Item 12 below).
- j. Certified copies of resolution or other documents pertaining to the award of the Bond(s).
- k. Non-Arbitrage Certificate.
- l. Any additional or supporting documents required by bond counsel.
- m. Preliminary approval opinion, if any, and final unqualified approval opinion of Bond Counsel, including opinion regarding interest on bonds being taxable or tax-exempt from Federal and State income taxes. The opinion must also address whether or not the RUS lien on any revenues pledged for payment of the Bond is governed by the terms of Revised Article 9 of the Uniform Commercial Code as enacted in Virginia 8.9A-101 et. seq. of the Code of Virginia and whether or not the filing of a financing statement will be required of RUS.

Items b, i, k, and m listed above should be manually executed originals. For the remaining bond transcript documents, an original manual attestation by the applicant's Clerk or Secretary will suffice.

Any omissions from the bond transcript should be supplied by the Rural Development Manager with the assistance of the applicant and bond counsel. Obviously, certain documents listed above will normally be delivered prior to the closing.

- 12. Attorney's No-Litigation Certificate. Local counsel should deliver a manually executed original attorney's no-litigation certificate dated the date of closing.
- 13. Evidence of Title. In all cases, confirm that local counsel has supplied RUS or RHS with his or her title opinion regarding the sites for any project structures such as treatment plants and community buildings. If a Deed of Trust is to be taken as security, the title opinion will be in the form of a title insurance binder. If the loan will be secured by other methods, the title opinion can be provided on Form RD 1927-10 with any changes necessary to reflect the circumstances of each financing transaction. In the case of utility-type financings, confirm that executed Forms RD 442-21 and 442-22 concerning rights-of-way are also in the docket. Any title exceptions should either be removed prior to closing or be specifically cleared through OGC.

14. Additional Instructions. OGC will normally issue additional closing instructions on a case-by-case basis containing special requirements for specific loans. The Rural Development Manager should review the closing instructions prepared by OGC relating to the specific case and close the loan in accordance with those instructions.

CERTIFICATION OF LOAN CLOSING OFFICIAL

I hereby certify all the provisions of the closing instructions as outlined in Virginia Instruction 1942-A (Exhibit C)(Exhibit D) for Loans (and Grants), OGC's closing instructions, RHS closing instructions, and the Letter of Conditions for _____
(Name of Entity)
have been fully complied with.

DATE: _____

(Name)

(Title)

Position 6

CONSTRUCTION CONTRACT

State _____

County _____

This Contract, made this _____ day of _____, _____,
by _____ of _____
(hereinafter called the "Owner"), and _____ of _____
_____ (hereinafter called the "Contractor").

WITNESSETH that the parties hereto agree as follows:

(A) The Contractor will furnish materials and perform the work for:

for the consideration of _____ dollars (\$ _____),
in accordance with the "General Conditions" shown in this contract and the specifications and the drawings
as follows:

(B) The Contractor will start work by _____, _____, and will complete
the work by _____, _____ (See paragraph III of General Conditions).

(C) The Owner will make payments as follows: (Check ☐ proper payment clause and effectively
xxxxxxx out the clause that is not applicable.)

☐ 1. ONE LUMP SUM will be made for the whole contract, upon acceptance by the Owner and Rural
Development, of all work required hereunder and compliance by the Contractor with all the
terms and conditions of this contract.

☐ 2. PARTIAL PAYMENTS IN THE AMOUNT OF 95 PERCENT of the value of the work in place
and of the value of the materials suitably stored at the site (less the aggregate of previous
payments) will be made at intervals of _____. The value of the
work and materials in place or on site shall be as estimated by the Contractor and approved by
the Owner and Rural Development. Upon acceptance by the Owner and Rural Development
of all work required hereunder, and compliance by the Contractor with all terms and conditions
of this contract, the amount due the Contractor will be paid.

(D) The items described below (the Notice of Requirement for Affirmative Action to Ensure Equal
Employment Opportunity required by Executive Order 11246, the Equal Opportunity Clause
published at 41 CFR 60-1.4 (a) and (b), and the Standard Federal Equal Employment Opportunity
Construction Contract Specifications required by Executive Order 11246) apply, during the

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performance of this contract, if the contract exceeds \$10,000 (This also includes subsequent loans and grants, or contract change orders made during the construction period of the original contract, which will cause the total to exceed \$10,000.) to the following: (1) All Contractors or Subcontractors who hold any Federal or federally assisted construction contract, (2) All grants, contracts and loans (direct, insured, or guaranteed) let by Rural Development, and (3) All construction work performed by construction Contractors and Subcontractors for Federal nonconstruction Contractors and Subcontractors if the construction work is necessary in whole or in part to the performance of a nonconstruction contract or subcontract. The items are applicable to all of a Contractor's or Subcontractor's employees who are engaged in "on site" construction including those construction employees who work on a non-federal or non-federally assisted construction site. The items, however, will not pre-empt state and local government regulations of the construction industry, and will not relieve Contractors and Subcontractors of the obligations they may have under other affirmative action or equal opportunity programs.

The goal for WOMEN for all trades is 6.9%.

The goal for MINORITIES for all trades is _____.

IN WITNESS WHEREOF, the parties hereto have executed this contract as of the date first above written.

(Contractor)

(Owner)

GENERAL CONDITIONS

- I. CHANGES IN WORK.-The Owner may at any time, with the approval of the official designated by Rural Development (hereinafter called the Representative), make changes in the drawings and specifications, within the general scope thereof. If such changes cause an increase or decrease in the amount due under this contract or in the time required for its performance, an equitable adjustment will be made, and this contract will be modified accordingly by a "Contract Change Order", Form RD 1924-7. No charge for any extra work or material will be allowed unless the same has been ordered on such contract change order by the Owner with the approval of the Representative, and the price therefor stated in the order.
- II. INSPECTION OF WORK.-All materials and workmanship will be subject to inspection, examination, and test, by the Representative and the Owner's Design Consultant, who will have the right to reject defective material and workmanship and or require its correction.
- III. COMPLETION OF WORK.-If the Contractor refuses or fails to complete the work within the time specified in paragraph B of this contract, or any extension thereof, the Owner may, with the approval of the Representative, terminate the Contractor's right to proceed. In such event the Owner may take over the work and prosecute the same to completion by contract or otherwise and the Contractor will be liable for any excess cost occasioned the Owner thereby: and the Owner may take possession of and utilize in completing the work such materials and equipment as may be on the site of the work and necessary therefor. If the Owner does not terminate the right of the Contractor to proceed, the Contractor will continue the work, in which event, actual damages for delay will be impossible to determine, and, in lieu thereof, the Contractor may be required to pay to the Owner the sum of \$_____ as liquidated damages for each calendar day of delay, and the Contractor will be liable for the amount thereof: *Provided,*

however, that the right of the Contractor to proceed will not be terminated because of delays in the completion of the completion of the work due to unforeseeable causes beyond the Contractor's control and without Contractor's fault or negligence.

- IV. RELEASES.-Prior to final payment, the Contractor will submit evidence that all payrolls, material bills, and other indebtedness connected with the work have been paid as required by the Owner or the Representative.
- V. OBLIGATION TO DISCHARGE LIENS.-Acceptance by the Owner and the Representative of the completed work performed by the Contractor and payment therefor by the Owner will not relieve the Contractor of obligation to the Owner (which obligation is hereby acknowledged) to discharge any and all liens for the benefit of Subcontractors, laborers, material-person, or any other persons performing labor upon the work or furnishing material or machinery for the work covered by this contract, which have attached to or may subsequently attach to the property, or interest of the Owner.
- VI. NOTICES AND APPROVAL IN WRITING.-Any notice, consent, or other act to be given or done hereunder will be valid only if in writing.
- VII. ADDITIONAL REQUIREMENTS.-The Contractor, in the performance of this contract, will comply with all applicable Equal Opportunity requirements. The provisions of RD Instruction 1901-F concerning the protection of historical and archaeological properties and the provisions under either RD Instruction 1940-G or RUS Instruction 1794 (as pertinent) concerning environmental requirements apply. The Contractor understands that should any archaeological resources be discovered during the construction process, the Contractor will notify the Owner and cease further construction activity that could affect the resource until the Owner has consulted with Rural Development and the Contractor is informed of any steps to be taken or told to proceed with construction.
- VIII. CLEANING UP.-The Contractor shall keep the premises free from accumulation of waste material and rubbish and at the completion of the work shall remove from the premises all temporary facilities, rubbish, implements and surplus materials and leave any buildings broom-clean.
- IX. GUARANTEE.-The Contractor shall guarantee all materials and equipment furnished and work performed for a period of one (1) year from the date of completion. The Contractor warrants and guarantees for a period of one (1) year from the date of completion of the system that the completed system is free from all defects due to faulty materials or workmanship and the Contractor shall promptly make such corrections as may be necessary by reason of such defects including the repairs of any damage to other parts of the system resulting from such defects. The Owner will give notice of observed defects with reasonable promptness. In the event that the Contractor should fail to make such repairs, adjustments, or other work that may be made necessary by such defects, the Owner may do so and charge the Contractor the cost thereby incurred.
- X. ANTI-KICKBACK.-The Contractor shall comply with the Copeland Anti-Kickback Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). This act provides that each Contractor shall be prohibited from inducing, by any means, any person employed in the construction, completion or repair of public facilities, to give up any part of the compensation to which they are otherwise entitled. The Owner shall report all suspected or reported violations to Rural Development.
- XI. RECORDS.-For any contract exceeding \$10,000, the Owner, Rural Development, the Comptroller General of the United States, or any of their duly authorized representatives shall have access to any books, documents, papers, and records of the Contractor which are directly pertinent to a specific Federal loan program for the purpose of making audits, examinations, excerpts, and transcriptions. Contractors are required to maintain all required records for three years after Owner makes final payment and all other pending matters are closed.
- XII. EQUAL OPPORTUNITY REQUIREMENTS.-For all contracts in excess of \$10,000, the Contractor shall comply with Executive Order 11246, entitled "Equal Employment Opportunity", as amended by Executive Order 11375, and as supplemented in Department of Labor regulations (41 CFR, Part 60). If the Contract exceeds \$10,000, the Contractor will execute Form RD 400-6, "Compliance Statement."

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- XIII. MISCELLANEOUS. -For all contracts in excess of \$10,000, the Contractor will execute the "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion – Lower Tier Covered Transactions" [Form AD-1048 (1/92)].
- XIV. INSURANCE.-The Contractor shall purchase and maintain such insurance as will protect it from claims which may arise out of, or result from, the Contractor's execution of the work, whether such execution be by the Contractor, any Subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable.
- XV. SUPERVISION BY CONTRACTOR.-The Contractor will supervise and direct the work. He will be solely responsible for the means, methods, techniques, sequences and procedures of construction.
- XVI. RURAL DEVELOPMENT.-As lender or insurer of funds to defray the costs of this contract, and without liability for any payments thereunder, Rural Development on behalf of the _____ hereby concurs in the award of this Contract to _____.

U.S. Department of Agriculture
Rural Development

By _____ Title _____

Date _____

This Contract shall not be effective unless and until concurred in by the Rural Development State Director, U. S. Department of Agriculture or a delegated representative.

CORPORATE REAL ESTATE DEED OF TRUST FOR VIRGINIA

This DEED OF TRUST, made this ____ day of _____, 19____,
between _____, a nonprofit
corporation organized and existing under the laws of this State of Virginia, whose
address is: _____
as grantor, herein called "Borrower," and PHILIP H. STETSON, whose address is 1606
Santa Rosa Road, Culpeper Building, Suite 238, Richmond, Virginia 23229, as
Grantee/Trustee, herein called "Trustee," for the benefit of the United States of
America, acting by and through the Rural Housing Service, an agency of the United
States Department of Agriculture, as beneficiary, herein called "the Government,"

WITNESSETH THAT:

The Government has lent the Borrower money as evidenced by one or more
promissory note(s). If more than one note is described below, the word "Note" as used
herein shall be construed as referring to each note singly or all notes collectively, as the
context may require and all of them shall have equal lien under this instrument without
regard to their priority in time, maturity or otherwise. The Note has been executed by
the Borrower, is payable to the order of the Government in installments as specified
therein, authorizes acceleration of the entire indebtedness at the option of the
Government upon any default by the Borrower, and is further described as follows:

<u>Date of</u> <u>Instrument</u>	<u>Principal</u> <u>Amount</u>	<u>Annual</u> <u>Rate of</u> <u>Interest</u>	<u>Due Date</u> <u>of Final</u> <u>Installment</u>
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Exemption from taxation under Virginia Code Sections 58.1-801 and 58.1-803 is
claimed under Virginia Code Section 58.1-811, and 7 U.S.C., Section 1984.

The Government may assign the Note at any time. The Government may also insure the payment of the Note pursuant to the Consolidated Farm and Rural Development Act.

Whenever the Note is held either by the Government or by an uninsured holder, this instrument shall secure payment of the Note. Whenever the Note is held by an insured holder, however, this instrument shall not secure payment of the Note or attach to the underlying debt. In that event, this instrument shall constitute an indemnity mortgage to secure any payments to an insured holder of the Note or other advances which the Government may be required to make upon default by the Borrower. The insured holder shall have no right, title or interest in or to the lien of this instrument or its benefits. This instrument also secures the Borrower's obligations and covenants under other instruments delivered in connection with the loan evidenced by the Note, including the Borrower's Loan Resolution which hereby is incorporated herein by reference. The Note, Loan Resolution and this instrument together with any supplements, amendments, attachments, modifications, additions and related financing statements are collectively referred to as the "Loan Instruments".

The lien of this instrument shall extend to and cover all real property and property rights of whatever character or nature, that may at any time hereafter be acquired, owned, held, possessed, or enjoyed in any manner by Borrower in or on the premises described below.

NOW THEREFORE, in consideration of the loan(s) as evidenced and described by the Note described above the Borrower does hereby grant, assign, and convey to the Trustee, his successors, grantees and assigns, in fee simple forever, the following property:

ALL that real estate in _____ County(ies), Virginia, and being more particularly described as follows:

TOGETHER with all easements and rights of way used in connection with the premises or as a means of access thereto.

TOGETHER with all improvements now on the premises or hereafter placed thereon, including, without limitation, all heating, lighting, refrigeration, plumbing, ventilating, incinerating, water heating, cooling and air-conditioning equipment and apparatus and all appurtenances now and hereafter placed or installed within or about such improvements, and all renewals, replacements, and substitutions therefor, all of which are hereby deemed a part of the realty.

TOGETHER with all fixtures, machinery, appliances, and equipment of every nature and kind whether now on the premises or hereafter to be placed or installed therein or thereon, appurtenant to the buildings erected or to be erected on the premises and intended for the use of occupants, including all of which are hereby deemed a part of the realty as between Borrower and the Government, their successors and assigns, and a portion of the security for the indebtedness herein mentioned and to be conveyed by this instrument.

TOGETHER with all water, water rights, and water stock pertaining thereto, and all payments at any time owing to the Borrower by virtue of any sale, lease, transfer, conveyance, or condemnation of any part thereof or interest therein.

TOGETHER with the rents, issues, and profits of the premises, subject, however, to the right reserved by Borrower to collect and apply such rents, issues, and profits prior to any default hereunder.

PROVIDED, HOWEVER, that with respect to any goods above which are or become fixtures and proceeds thereof this instrument shall also serve as a fixture filing pursuant to Section 8.9-402(6) of the Code of Virginia without the necessity of filing a fixture financing statement under the Uniform Commercial Code.

All of the foregoing property is hereinafter collectively referred to for convenience of reference as the "Encumbered Property."

IN TRUST, to secure (a) payment of the Note in accordance with its terms, including any extensions or renewals thereof, whenever the Note is held by either the Government or by an uninsured holder; (b) repayment, with interest, of any payments, advances and expenditures made by the Government pursuant to the terms of this or any other Loan Instrument; (c) performance of every covenant and agreement of the Borrower's contained in this or any other Loan Instrument; and (d) all future advances, whether obligatory, protective or voluntary, made to the Borrower by the Government from time to time.

The Borrower, for itself, its successors and assigns, WARRANTS the Encumbered Property to the Trustee against the lawful claims of all persons whose claims are not based upon liens, encumbrances, easements or reservations specified above.

The Borrower, for itself, its successors and assigns, COVENANTS AND AGREES as follows:

(1) Borrower will promptly pay any indebtedness secured by this instrument when due.

(2) Borrower will indemnify the Government against any loss which the Government may incur as a result of making payments to an insured holder of the Note after the Borrower's default.

(3) Borrower will pay the Government any fees or other charges required under regulations of the United States of America, acting by and through the Rural Housing Service, an agency of the United States Department of Agriculture.

(4) Borrower will pay when due all taxes, liens, judgments, encumbrances and assessments lawfully attaching to or assessed against the Encumbered Property, and, without demand, will also provide the Government with proof of those payments.

(5) Borrower will pay the Government for any expenses necessary or incidental to (a) the protection of the lien or priority of any Loan Instrument and to (b) the enforcement of or compliance with the provisions of any Loan Instrument. "Expenses" includes (without limitation) costs of evidence of title, surveys, recording fees, attorneys' fees and trustees' fees, as well as court costs and expenses of advertising, selling and conveying the Encumbered Property or any portion of it.

(6) Borrower will use the loan evidenced by the Note solely for the purposes authorized by the Government.

(7) Borrower will keep the Encumbered Property insured as required by the Government and will deliver the originals of all insurance policies to the Government for safekeeping if so requested.

(8) Borrower will comply with all laws, ordinances and regulations affecting the Encumbered Property and the conduct of Borrower's business operations.

(9) Borrower will maintain the Encumbered Property in a good repair and make any repairs the Government may require.

(10) Borrower will operate the Encumbered Property in a good and efficient manner and will comply with management plans and practices which the Government may prescribe from time to time.

(11) Borrower will not abandon the Encumbered Property; effect waste, lessening, or impairment of the Encumbered Property; or cut, remove or lease any timber, gravel, oil, gas, coal or other minerals.

(12) Borrower will not (except as may be authorized in the Loan Resolution or as may be in the ordinary course of business) lease, assign, sell, transfer or further encumber the Encumbered Property or any nonexpendable part thereof, voluntarily or otherwise, either in whole or in part, without the prior written consent of the Government. This covenant may be modified by the Loan Resolution and does not preclude any lease, assignment, sale, transfer or further encumbrance of the Encumbered Property in the ordinary course of the Borrower's business. NOTICE - THE DEBT SECURED HEREBY IS SUBJECT TO CALL IN FULL OR THE TERMS THEREOF BEING MODIFIED IN THE EVENT OF SALE OR CONVEYANCE OF THE PROPERTY CONVEYED EXCEPT AS OTHERWISE PROVIDED IN THIS COVENANT.

(13) The premises described herein was obtained or improved through Federal financial assistance. The Encumbered Property is subject to the provisions of Title VI of the Civil Rights Act of 1964 and the regulations issued pursuant thereto for so long as the premises continues to be used for the same or similar purpose for which financial assistance was extended or for so long as the Borrower owns it, whichever is longer.

(14) If at any time it shall appear to the Government that the Borrower may be able to obtain a loan from a production credit association, a federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, the Borrower will, upon the Government's request, apply for and accept a loan in sufficient amount to pay the Note and any other indebtedness secured by this instrument and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such a loan.

(15) The Government may require the Borrower to make additional monthly payments equal to one-twelfth of the estimated taxes, assessments, insurance premiums and other charges upon the Encumbered Property.

(16) The Government and its agents may inspect the Encumbered Property at reasonable times to ascertain whether the Borrower is fulfilling its obligation under this or any other Loan Instrument.

(17) The Government may at any time pay as advances for the Borrower's account any amounts which the Borrower is obligated to pay under any Loan Instrument and any expenses incurred by the Government in enforcing or protecting the Government's rights hereunder. The Government may exercise this right regardless of whether the note is insured and regardless of whether advances exceed the face amount of the Note. Advances by the Government pursuant to the terms of this paragraph shall bear interest at the rate borne by the Note which bears the highest interest rate. Advances, with interest, shall be immediately due and payable by the Borrower at the place designated in the latest Note. Advances under this paragraph shall neither relieve the Borrower of its obligation to pay nor cure any default under any Loan Instrument. Such advances, together with interest accruing on them, shall automatically become a part of the mortgage debt secured by this instrument.

(18) To the extent specified by the Government in writing, the Government in its sole discretion may grant an extension of the time for payment or reamortize the indebtedness secured by any Loan Instrument, release any party from liability to the Government, release portions of the Encumbered Property from the lien of any Loan Instrument, and waive any other Government right under any Loan Instrument without affecting the lien or priority of any Loan Instrument or the liability of the Borrower or any other party for payment of the indebtedness secured by any Loan Instrument. The Government shall have the sole and exclusive rights as beneficiary hereunder, including, but not limited to, the power to grant consents, partial releases, subordinations, and satisfaction, and no insured holder shall have any right, title, or interest in or to the lien or any benefits hereof.

(19) The Government and its assigns are empowered to appoint a substitute trustee at any time. This power may be exercised without giving any notice or rationale for its use. THE BORROWER WAIVES notice of the exercise of this power and any requirement of, or right to require, a bond from any substitute trustee. The power to appoint a substitute trustee shall be exercised by filing an instrument of appointment in the office where this instrument is recorded, whereupon the substitute trustee shall succeed to all the estates, rights, powers and trusts granted to or vested in the Trustee and the former trustee or Substitute Trustee shall be divested.

(20) All powers and agencies granted in this instrument are coupled with an interest and are irrevocable by death or otherwise.

(21) The Government will not be bound by any present or future state laws (a) providing for valuation, appraisal, or exemption of the Property; (b) prohibiting or restricting an action for deficiency judgment or limiting the judgment amount which may be awarded; (c) prescribing any statute of limitations; (d) allowing any right of redemption or possession following any foreclosure sale, or (e) limiting the conditions the Government may impose by regulation as a condition of approving a transfer of the Encumbered Property to a new borrower. THE BORROWER WAIVES THE BENEFIT OF ANY SUCH STATE LAWS.

(22) Should the Borrower DEFAULT on any of its obligations under any Loan Instrument; breach any of its warranties or covenants under any Loan Instrument; merge, dissolve, be declared bankrupt or insolvent; or make an assignment for the benefit of creditors, the Government may without notice (a) accelerate the entire indebtedness secured by this instrument by declaring it immediately due and payable; (b) charge the Borrower's account for any reasonable expenses which the Government may pay or incur to maintain and repair the Encumbered Property; (c) operate or rent the Encumbered Property and apply any moneys received to the Borrower's account; (d) have a receiver appointed for the Encumbered Property who may exercise the usual powers of receivers in similar cases; and (e) authorize the Trustee to foreclose this and any other Loan Instrument and sell the Encumbered Property as a business unit without any requirement for marshalling of assets and without regard to whether the Encumbered Property is realty or personalty.

(23) At the request of the Government, the Trustee may foreclose this instrument by advertisement and sale of the Encumbered Property as provided by law, for cash or secured credit as the Government may desire. Except to the extent it may be required by law, personal notice of sale need not be served on the Borrower. The sale may be adjourned from time to time without notice other than oral proclamation at the time and place originally appointed for the sale and written correction made on the posted notices. At the sale the Government and its agents may bid and purchase as a stranger. The Trustee's execution of a conveyance of all or part of the Encumbered Property to any purchaser at foreclosure sale shall be conclusive evidence that the sale was conducted in accordance with the provisions of the Loan Instruments, either by the Trustee personally or through his duly authorized delegates. Any Trustee may act.

(24) Proceeds of a foreclosure sale pursuant to any Loan Instrument shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions hereof; (b) all taxes, levies, and

assessments, with costs and interests if they have priority over the lien of this Deed of Trust, including the due pro rata thereof for the current year; (c) any prior liens required by law or competent court to be paid; (d) all indebtedness to the Government secured by this instrument; (e) inferior liens of record required by law or a competent court to be paid; and (f) any balance to Borrower.

(25) If the Government is the successful bidder at a foreclosure sale under any Loan Instrument, any portion of the purchase price not owed to a third party may be paid by crediting that amount on any debts of the Borrower which are owed to or insured by the Government.

(26) The rights and remedies provided in this instrument are cumulative and shall be in addition to every other remedy now or hereafter existing at law, in equity, by statute or by regulation.

(27) A waiver, amendment, release or modification of this instrument may be effected only by a writing which has been duly executed by the Government and shall not be established by conduct, custom or course of dealing.

(28) This instrument shall be subject to the present regulations of United States of America, acting by and through the Rural Housing Service, an agency of the United States Department of Agriculture, and to its future regulations not inconsistent with the express provisions of this instrument, and shall be construed and enforced in accordance with applicable federal law. In all other respects, this instrument shall be governed by the laws of the State in which it is recorded.

(29) Default under this instrument shall constitute a default under any other instruments of the Borrower held or insured by the Government and default under any other instrument constitutes default under this instrument.

(30) The invalidity or unenforceability of any portion of this instrument shall not effect the validity or enforceability of the remaining portion of this instrument.

(31) Notices to the Borrower shall be sent to its address as shown on the first page of this instrument. Notices to the Government shall be addressed to the United States of America, Rural Housing Service,

_____. Notices shall be sent by certified mail (postage prepaid) unless otherwise required by law. The Government and the Borrower may designate any further or different addresses to which subsequent notices shall be sent.

(32) In the event that the Government at its option desires to extend additional credit to the Borrower from time to time, then the lien of this instrument shall automatically be extended to cover such indebtedness. The Borrower shall evidence its consent by the execution and delivery of a Loan Resolution on Form RD 1942-9 and an additional note on Form RD 440-22, or their equivalents. In the event that at the time of the additional borrowing, the laws of the state in which this instrument is recorded do not permit such future advances to enjoy the lien of this instrument, then the Borrower

shall execute and deliver an additional deed of trust. Future deeds of trust may be in statutory form, with such additional provisions, either expressed or incorporated by reference to this deed of trust, as the Government and the Borrower agree upon. Nothing contained in this section shall be construed to require the Government to evidence and secure obligatory advances under the Note or protective advances under this instrument with additional notes and deeds of trust.

IN WITNESS WHEREOF, the Borrower has caused this Deed of Trust to be executed by its President and its corporate seal to be affixed and attested by its Secretary, all as of the date first written above.

(CORPORATE SEAL)

(Borrower)

ATTEST: _____

By: _____

(Title) _____

(Title) _____

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Exhibit B, Page 1
(Fire and Rescue LOC)**

Dear _____

This letter, with Attachments 1 through _____ and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application for financial assistance from the Rural Housing Service (RHS) for _____. The Rural Development mission area staff administers this financial assistance on behalf of RHS. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

This letter is not to be considered as loan (and grant) approval or as a representation as to the availability of funds. The docket may be completed on the basis of an RHS loan not to exceed \$_____, an RHS grant not to exceed \$_____, and other funding in the amount of \$_____, for a total project cost of \$_____. The other funding is planned in the form of _____ from _____.

If Rural Development makes the loan, you may make a written request that the interest rate be the lower of the rate in effect at the time of loan approval or the time of loan closing. If you do not request the lower of the two interest rates, the interest rate charged at closing will be the rate in effect at the time of loan approval. The loan will be considered approved on the date a signed copy of Form RD 1940-1, Request for Obligation of Funds, is mailed to you. If you want the lower of the two rates, your written request should be submitted to Rural Development as soon as practical. In order to avoid possible delays in loan closing such a request should ordinarily be submitted at least 30 calendar days before loan closing.

Extra copies of this letter are being provided for use by your engineer/architect, attorney, bond counsel, and accountant. The enclosures and attachments listed below are attached to the copies as noted.

Enclosed are the following:

- Attachment No. 1 - Final Project Planning Factors (All copies)
- Attachment No. 2 - RD Instruction 1942-A, Section 1942.17,
and 1942-C (Applicant copy)
- Attachment No. 3 - RD Instruction 1942-A, Section 1942.18
(Engineer/Architect copy)
- Attachment No. 4 - RD Instruction 1942-A, Section 1942.19
(Attorney and Bond Counsel copies)
- Attachment No. 5 - RD Instruction 3570-B
(Applicant copy)
- Attachment No. 6 - Virginia Instruction 1942-A, Guide 1, with attachments, and
Virginia Instruction 1942-C, Guides 1, 2, and 3
(Engineer/Architect copy)

Virginia Instruction 1942-C

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(Fire and Rescue LOC)

Attachment No. 7 - RD Instruction 1940-Q and all exhibits

INSERT THE APPROPRIATE SENTENCE: [The agreements you provided with your application for engineering/architect and legal services have been found acceptable.] [You must provide agreements for engineering/architect and legal services for our review.] The costs for these services have been included in the project budget contained in Attachment No. 1.

[INSERT THIS PARAGRAPH FOR PUBLIC BODIES] We have reviewed the documents creating your _____ and (have found them acceptable) (the following changes are necessary).

[INSERT THIS PARAGRAPH FOR NON-PROFIT CORPORATIONS] Your documents concerning the creation of your _____ have been reviewed by our Office of the General Counsel and (have been found acceptable) (the following changes are necessary).

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of ____ years. The payments due the first _____ months will consist of interest only. Payments for the remaining ____ months will be equal amortized monthly installments. For planning purposes, use a ____ interest rate and a monthly amortization factor of _____, which provides for a monthly payment of \$ _____.

A debt service reserve is required and must be accumulated at the rate of 10% of the monthly debt payment until a sum equal to no less than one annual installment is accumulated.

You have the option of participating in the Preauthorized Debit (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due.

1. Loan Repayment - The loan will be scheduled for repayment over a period of ____ years. The payment due the first anniversary (and second anniversaries) will be interest only. Payments for the remaining ____ years will be equally amortized annual (semi-annual) installments. For planning purposes use a ____ interest rate and an annual (semi-annual) amortization factor of _____, which provides for an annual (semi-annual) payment of \$ _____.

A debt service reserve is required and must be accumulated at the rate of 10% of the annual debt payments until a sum equal to no less than one annual installment is accumulated.

You have the option of participating in the Preauthorized Debt (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due.

2. Security - The loan must be secured by a General Obligation Bond which pledges the full faith and credit of the issuer and other agreements between

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you and Rural Development as set forth in the Bond (Resolution) (Ordinance), which must be properly adopted and executed by the appropriate officials of your organization. Additional security requirements are contained in Form RD 1942-47, Loan Resolution, (and Form RD 3570-3, Agreement for Administrative Requirements for Community Facility Grants) which is (are) mentioned later.

2. Security - The loan must be secured by a financing statement on all personal property financed with these loan (and grant) funds, all accounts and intangibles of the _____, and other agreements between you and Rural Development as set forth in Form RD 1942-9, Association Loan Resolution, (and Form RD 3570-3, Agreement for Administrative Requirements for Community Facility Grants) which must be adopted and executed by the appropriate applicant officials. Prior to the adoption of the Association Loan Resolution, the members of the Association, at a properly called meeting, must review and adopt Form RD 1942-8, Resolution of Members or Stockholders.

You must provide for us a description of the personal property. The description where possible must include the year, make, model, and serial number.

2. Security - The loan must be secured by a Deed of Trust having _____ priority, a financing statement on all personal property financed with these loan (and grant) funds, a Security Agreement using Virginia Form RD 440-4, all accounts and intangibles of the _____, and other agreements between you and Rural Development as set forth in Form RD 1942-9, Association Loan Resolution, (and Form RD 3570-3, Agreement for Administrative Requirements for Community Facility Grants,) which must be adopted and executed by the appropriate applicant officials. Prior to the adoption of the Association Loan Resolution, the members of the Association, at a properly called meeting, must review and adopt Form RD 1942-8, Resolution of Members or Stockholders.

You must provide us with an "as-developed" real estate appraisal, performed by a qualified licensed appraiser, that shows the value of the property serving as security for the loan is equal to, or greater than, the proposed loan(s).

Your attorney must provide us with a description of the real property, including a plat, which will be included in the Deed of Trust.

3. Bond Counsel - The services of a recognized bond counsel are required. The bond counsel will prepare the form of (Resolution) (Ordinance) to be used, in accordance with RD Instruction 1942-A, Section 1942.19. You should immediately provide your bond counsel with a copy of this letter of conditions and its attachments and enclosures.
3. Legal Counsel - The services of an attorney are required. Legal counsel will advise, certify, issue opinions, title or otherwise, and record debt instruments that are required to satisfy the loan conditions.
4. Facility Control - Prior to advertisement for construction bids, you must furnish satisfactory evidence that you have or can obtain adequate

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continuous and valid control over the lands needed for the project. Such evidence must be in the following form:

- a. A right-of-way map showing clearly the location of all lands and rights needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
- b. Copies of deeds, contracts, or options for any lands needed other than rights-of-way, along with a preliminary title opinion covering such lands. Form RD 1927-9, Preliminary Title Opinion, may be used. Also in the case of existing facilities where the _____ has already acquired real property (land or facilities), a preliminary title opinion must be provided.
- b. Copies of deeds, contracts, leases, or options for any real estate needed along with a title insurance binder for same. In cases of existing facilities, this will also include previously acquired rights. The binder will be in the amount of the proposed loan and name the United States of America, acting through the United States Department of Agriculture, as the proposed insured.
- c. Immediately after closing, a final title opinion showing no exceptions must be provided.
- c. Immediately after closing, the applicant must furnish an acceptable title insurance policy endorsed in the favor of the United States of America, Acting through the United States Department of Agriculture. The policy must be in the amount of the proposed loan and all listed exceptions must be reviewed and accepted by Rural Development.
- d. A copy of the right-of-way easements for any rights-of-way needed on private lands. Form RD 442-20, Right-of-Way Easement, may be used. Each easement need not be provided this office; however, each must be available for Rural Development review. A copy of the easement to be used must be approved by Rural Development.
- e. Form RD 442-21, Right-of-Way Certificate, and Form RD 442-22, Opinion of Counsel Relative to Rights-of-Way, must be completed. These forms may contain a few exceptions such as properties that must be condemned; however, prior to start of construction or loan closing, whichever occurs first, new Forms RD 442-21 and 442-22, which do not provide for any exceptions, must be provided.

If rights-of-way are not needed for the proposed project, a certification to that effect from your attorney will satisfy items a, d, and e above.

5. Permits - Copies of all permits needed for the project or a statement of permit availability from the permit issuer must be provided for our review prior to advertisement or soliciting for construction bids. Such permits may include but are not limited to the following:

- Zoning Code Permits
- Building Code Permits (including erosion and sedimentation control plans)

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- Virginia Department of Highways and Transportation
- Railroads
- Local Department of Health
- State Water Control Board
- Corps of Engineers
- State Corporation Commission
- State Air Pollution Control Board
- Marine Resources Commission

In addition, you need to provide a narrative opinion from your attorney which identifies and addresses the need and adequacy of all certificates, permits, licenses, etc., needed for the construction and operation of the facility.

6. Accounting - You must enter into an audit agreement with a qualified accountant. You must obtain from your accountant the following:
 - a. Prior to advertisement for bids, your accountant must state in writing that he will establish your accounts and records in accordance with the requirements of the (Loan Agreement) (Resolution) (Ordinance), and the requirements of the State Corporation Commission, if applicable, within 20 days from the notice to do such.
 - b. Prior to loan closing or the start of construction, whichever occurs first, the accountant must certify that the accounts and records as required in (a) above have been established and are operational.

A Rural Development representative may want to review your accounts and records.

6. Accounting - You must maintain an audit agreement with a qualified accountant. You must obtain from your accountant a certification that the records and accounts required by your previous USDA financing have been established and are operational.

A Rural Development representative may want to review your accounts and records.

7. Audit Requirements - Audited financial statements shall be submitted on an annual basis in accordance with the Government Auditing Standards (GAAS), General Accepted Accounting Principles (GAAP), and the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, 1994 revision, and any subsequent revisions.

Audits performed in accordance with OMB Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations," are based upon the amount of Federal financial assistance expended during a borrower's fiscal year from a Federal source. **Borrowers expending Federal financial assistance over \$300,000 are required to have an OMB Circular A-133 audit. Borrowers expending less than \$300,000 in Federal financial assistance are required to submit financial statements, either GAAS,**

GAGAS, or management reports, based upon loan balances and prevailing Federal regulations.

In addition to the audit required above, RD Instruction 1942-A (Attachment No. 2) outlines management reports which must be submitted to Rural Development. As soon as the facility is operational, you will be required to provide these reports.

8. Insurance and Bonding Requirements - Prior to loan closing or start of construction, whichever occurs first, you must acquire the following insurance and bond coverage:
 - a. Public Liability, Property Damage, and Comprehensive - Coverage on trucks, tractors, and other vehicles driven on public highways. The insurance must be in effect at the time of loan closing or start of construction, whichever occurs first. The amount of coverage will be determined by the Borrower in conjunction with their attorney and a representative of Rural Development.
 - b. Workers' Compensation - In accordance with appropriate State Laws.
 - c. Position Fidelity Bond Coverage - You must provide evidence of adequate fidelity bond coverage for all persons who have access to funds by loan closing or start of construction, whichever occurs first. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage will normally approximate the total annual debt service requirements for your Rural Development loan(s). Form RD 440-24, Position Fidelity Schedule Bond, may be used for this purpose. We encourage you to have your attorney, consulting engineer/architect, and/or insurance provider review proposed types and amounts of coverage, including any deductible provisions. Rural Development must agree on the acceptability of proposed coverage. You must continue to provide evidence to Rural Development that adequate coverage is being maintained for the life of the loan. This is your responsibility, not that of Rural Development.
 - d. National Flood Insurance - In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:
 1. If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
 2. Applicants whose buildings, machinery, or equipment are to be located in an area which has been notified as having special flood or mudslide prone areas will not receive financial assistance where flood insurance is not available.
 - e. Property Insurance - Before loan closing, you must purchase property insurance in the amount of the initial contract sum, as well as subsequent

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modifications thereto, for the entire work at the site on a replacement cost basis without voluntary deductibles. Such property insurance shall be maintained until final acceptance of the work. This insurance shall include interests of the owner, the contractor, sub-contractors and sub-subcontractors in the work. Property insurance shall be on an all-risk policy form and shall insure against the perils of fire and extended coverage and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, false-work, temporary buildings, and debris removal, including demolition occasioned by enforcement of any applicable legal requirements. The policy shall cover reasonable compensation for architect's or engineer's services and expenses required as a result of such insured loss.

- f. Real Property Insurance - Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all above ground structures to include machinery and equipment housed therein, in an amount equal to the insurable value thereof.
- 9. Procurement - You may use competitive negotiation for the construction of your facility. Your engineer/architect must develop the plans and specifications and a request for proposal. Prior to soliciting for offers, Rural Development must review and approve the request for proposal (RFP) and plans and specifications.
- 9. Procurement - You may proceed to acquire the proposed vehicles and/or equipment by competitive negotiation. You must develop a Request for Proposal (RFP) and specifications. Rural Development must review and give prior approval to the specifications and RFP before soliciting for offers.

Following the receipt of offers, Rural Development must be provided with the following:

- a. Summary of all offers
 - b. Copy of the successful offer
 - c. Narrative summary of all negotiations
 - d. Copy of notice to all unsuccessful offerors
 - e. Copy of resolution of tentative award
- 10. Contract Documents (Equipment and Buildings Under \$100,000)
 - a. Request for proposal (RFP)
 - b. Plans
 - c. Specifications
 - d. VA Instruction 1942-A, Guide 2, Construction Contract; or
 - d. Other contract covering the purchase of equipment

The following information and records must be established and maintained:

- 1. Copy of successful offer
- 2. Summary of all offers and a narrative summary of all negotiations
- 3. Revised project budget based on successful offer

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4. Engineer/Architect recommendation of award
5. Resolution (owner's) of tentative award
6. Notice to unsuccessful offeror(s)
9. Procurement - You are required to competitively bid the proposed project. Your architect/engineer must develop the contract documents in accordance with the requirements of Item 10.
10. Contract Documents (Buildings over \$100,000) - Prior to the approval of plans and specifications, you must submit the following items to Rural Development for review and approval: Construction contract documents prepared in accordance with RD Instruction 1942-A, Guide 27, as supplemented by Virginia Instruction 1942-A, Guide 1, as well as final plans, specifications, and all addenda.
11. Code of conduct - Owners shall adopt and maintain a written code or standards of conduct which shall govern the performance of their officers, employees, or agents engaged in the award and administration of contracts supported by RHS funds. No employee, officer, or agent of the owner shall participate in the selection, award, or administration of a contract supported by Rural Development funds if a conflict of interest, real or apparent, would be involved.
12. Interim Financing - Interim financing must be used for the RHS loan, provided such funds can be borrowed at reasonable rates and terms. You must provide Rural Development with a copy of the tentative agreement reached in connection with interim financing.
13. Other Funds - Prior to advertisement or soliciting for construction bids, you must provide evidence showing the availability of the other funds.
14. Disbursement of RHS Grant Funds - RHS grant funds will be advanced as they are needed in the amount necessary to cover the RHS proportionate share of obligations due and payable by the _____ (insert applicant's name). Interest earned on grant funds in excess of \$_____ (insert **\$250** for non-profit applicants **OR** **\$100** for public body applicants) per year will be submitted to RHS at least quarterly as required in _____ (insert **7 CFR 3019** for non-profit applicants **OR** **7 CFR 3016** for public body applicants).
15. Community Facilities Grant (CFG) - Attached is a copy of Form RD 3570-3, Agreement for Administrative Requirements for Community Facility Grants, for your review. You will be required to execute a completed form at the time of grant closing.

CFG assistance is subject to the interest of the United States Government in the market value of the property attributable to the Federal participation in this project provided by 7 CFR, parts 3015, 2016, or 3019 et seq as subsequently modified.

CFG assistance is subject to the provisions of Title VI of the Civil Rights Act of 1964 and Section 504 of the Rehabilitation Act of 1973 and the regulations issued thereto. This covenant is in effect for as long as the property

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continues to be used for the same or similar purpose for which the financial assistance was extended or for as long as the grantee owns it, whichever is longer.

16. Agency Forms - You will be required to execute certain Agency forms in order to obtain financial assistance from RHS. By Resolution, these forms must be adopted and properly executed, and minutes showing the adoption must be provided.
17. Environmental Mitigation - As a result of the environmental review performed for this project, the following mitigation requirements must be accomplished:

Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Rural Development financial assistance.

Rural Development may authorize you to advertise the project for construction bids once all required documents have been submitted. Such advertisement must be in accordance with appropriate State statutes. Immediately after bid opening, you must provide Rural Development with (a) a bid tabulation, (b) recommendations from you and your engineer/architect as to the acceptability of the bids received, (c) your recommendations for contract awards, and (d) a revised project budget based upon current prices.

If all parties then agree the construction bids received are acceptable and it is determined that adequate funds are available to cover the total facility costs and that all the administrative conditions of loan approval have been satisfied, loan closing instructions will be issued. The closing instructions, a copy of which will be forwarded to you, will set forth any further requirements that must be met before the loan can be closed. **LOAN CLOSING WILL NOT SCHEDULED UNTIL CLOSING INSTRUCTIONS ARE RECEIVED FROM RURAL DEVELOPMENT.** When all parties agree that the closing requirements can be met, a mutually acceptable date for the loan closing will be scheduled.

The Debt Collection Improvement Act (DCIA) of 1996 requires that all Federal payments be made by Electronic Funds Transfer/Automated Clearing House (EFT/ACH). Borrowers receiving payments by EFT will have funds directly deposited to a specified account at a financial institution with funds being available to the recipient on the date of payment. The borrower should complete Form SF-3881, Electronic Funds Transfer Payment Enrollment Form, for each account where funds will be electronically received. The completed form(s) must be received by Rural Development at least thirty (30) days prior to the first advance of funds.

As a recipient of federal financial assistance, you must comply with all applicable federal, state, and local statutes, ordinances, regulations, and codes. The major portion of existing Rural Development rules and regulations which must be met are included in Attachments 2, 3, and 4 [and RD Instruction 3570-B (Attachment 5)]. No modifications or waiver of any portion of these regulations is authorized. Such regulations shall govern regardless of any misinterpretation, omission,

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misunderstanding, or statements made by any Rural Development employee. The most critical requirements of the instructions have been highlighted or clarified in this letter.

In addition, you will be required to refinance the unpaid balance of the proposed loan, in whole or in part, upon the request of the government if at any time it shall appear to the government that you are able to refinance its obligation by obtaining a loan for such purposes from responsible lending sources at reasonable rates and terms for loans for similar purposes and periods of time.

The applicant contribution shall be considered as first funds expended except _____ (insert appropriate exceptions if funds from other sources make an exception necessary). After providing for all authorized cost, any remaining RHS funds will be considered to be RHS grant funds and refunded to RHS. If the amount of unused funds exceeds the RHS grant, then that part would be RHS loan funds.

We believe the information herein clearly sets forth the action which must be taken; however, if you have any questions, please do not hesitate to contact my office.

Please complete and return the enclosed Form RD 1942-46, Letter of Intent to Meet Conditions, if you desire further consideration be given your application.

If the conditions set forth in this letter are not met within ____ months from the date hereof, Rural Development reserves the right to discontinue processing of the application.

Sincerely yours,

Rural Development Manager
USDA, Rural Development

cc: Administrator, RHS, Washington, D.C.
State Director, Rural Development, Richmond, VA
Attorney
Bond Counsel
Accountant
Engineer/Architect

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Attachment No. 1
Letter of Conditions
For: _____
Dated: _____

PROJECT PLANNING FACTORS

The following estimates are to be used as a basis for project planning and must not be changed without prior approval of Rural Development:

PROJECT COSTS

Construction	\$ _____
Contingency	_____
Equipment	_____
Legal Fees	_____
Title Insurance	_____
Technical Fees:	
Architectural:	
Basic	_____
Additional	_____
Engineering:	
Basic	_____
Additional	_____
Inspection	_____
Interest	_____
Other	_____
 TOTAL	 \$ _____

FUNDING

RHS Loan	\$ _____
RHS Grant	_____
Other	_____
Borrower Contribution	_____
 TOTAL	 \$ _____

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OPERATING BUDGET - TYPICAL YEAR

INCOME

Operating Income	\$ _____	
Non-operating Income	_____	
Other	_____	
 TOTAL INCOME	 \$ _____	 \$ _____

EXPENSES

Administrative Expenses	\$ _____	
Insurance	_____	
Taxes	_____	
Operating Expenses	_____	
Operation and Maintenance	_____	
Debt Service	_____	
Debt Reserve	_____	
Other	_____	
 TOTAL EXPENSES	 \$ _____	 _____

BALANCE		\$ _____
---------	--	----------

POSITION 1
Fire and Rescue
(Equipment Only)
Rev. 06/01

Date of Completed Appl. _____

PROCESSING CHECKLIST

FIRE AND RESCUE (EQUIPMENT ONLY)

Ref: 1942-C and 1942-A

AREA OFFICE: _____

APPLICANT: _____

COUNTY: _____

PROJECT DESCRIPTION: _____

	Name	Address	Telephone
Applicant			
Contact Person			
Attorney			
Accountant			
Other			

Checklist Codes:

Appl - Applicant/Owner

Att - Attorney

Eng - Engineer

Arch - Architect

PDC - Planning District

AO - Area Office

SO - State Office

PB - Public Body

NP - Non Profit (Non Public Body)

RCFTS Codes:

101 - Received completed PreApp

112 - Notified to develop appl

120 - Documents Required

201 - Application Received

215 - LOC issued

230 - Suspense

302 - Obligated

360 - Closed

401 - In Operation

STAGE I. APPLICATION

Note: It is important that you meet with the applicant early to discuss eligibility, loan purposes, loan requirements, etc. Remember: With all initial nonprofit applications, it will be necessary that you submit the applicant's organizational structure to the CF Division for review by the Regional Attorney.

SO USE	FORMS	DOCUMENT/ACTION	FILE POS./ TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	Letter	Planning District review	3 Project	1942-C, 1942.106	AO/APPL	Indefinite	
	N/A	Application Conference	3 Project	1942.104	AO	Indefinite	
	N/A	Document interest rate determination	3 Project	1942.111 (b)	AO	Indefinite	
	SF-424.1	Application for Federal Assistance	3 Project	1942.104	APPL	Indefinite	
	N/A	Tax ID Number (_____)	3 Project	1942.17(g)(3)	Appl/Att	Indefinite	
	442-3	Current Balance Sheet/Audit	3 Project	Form 442-3	Appl	3 years	
	Memo	Certification of inability to obtain credit elsewhere with a min. Of 2 specific refer. From lenders(from applicant)	3 Project	1942.111	Appl	Indefinite	
	Memo	RD Cert. Of basis for which loan is made a. 5 yrs. Successful operation b. Assured income c. Exceptional Community Support (letter from Gov't. Entity)	3 Project	RCR	RDM	Indefinite	
	N/A	Evidence of Successful Financial Operation (history) - 5 years	3 Project	1942.17(g)(3)	Appl	Indefinite	
	Exh. A-1	Lobbying Certification	3 Project	1940-Q	Appl	Indefinite	
	AD-1047	(a) Debarment/Suspension Certification (b) Document List Review	3 Project	1940-M	Appl AO	Indefinite	
	N/A	Interview concerning relatives working with RD (Document)	3 Project	1942.1; 1900-D	AO	Indefinite	
	1910-A	a)Current/Past Debt History with RD b)CAIVRS	3 Project	1910.5(d)	AO	Indefinite	
	Letter	Confirmation Letter - Application Conference	4 Project	1942.2(c)(3)	AO	Indefinite	
	N/A	Organization Documents a. Secretary's Cert. Of Incorp & Amendments b. Articles of Incorp. & Amendments c. ByLaws d. Atty's opinion re organization & auth.	5 Project	1942.A	Appl	Indefinite	

SO USE	FORMS	DOCUMENT/ACTION	FILE POS./ TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	Memo	Organizational Documents Reviewed by OGC	5 Project	1942A	OGC	Indefinite	
	N/A	Annual Contract with County or certification of income (assured income)	5 Project	1942.17(g)(3)	Appl	Indefinite	
	1942-54	Applicant's Feasibility Report	6 Project	1942.116	Appl	Indefinite	
	Guide 26	Project Selection Criteria	1 Project	1942.107	AO	Indefinite	
	N/A	Eligibility Determination and recommendations	3 Project	1942.2(a)(1)(i)	AO	Indefinite	
	SF-3881	Obtain Banking information from Borrower and populate EFT Data Base	1 Project	EFT Handbook	AO	Indefinite	
	2006-38	Civil Rights Impact Analysis Cert.	3 Project		AO	Indefinite	
	Guide 26	Priority Recommendation	3 Project	1942.2(a)(1)(iv)	AO	Indefinite	
	N/A	Tracking Information Add New Borrower or Facility Screen CP00/CP03/CP05/CP08/CP12	1 Project	RCFTS Screens Sect 3 in Ustr Man. Code 101	AO	Indefinite	
	1940-22	Environmental Assessment, Categorical Exclusion	3 Project	1940-G	AO	Indefinite	
	Guide 14	Legal Services Agreement	5 Project	1942.119 and 1942.126	Atty.	Indefinite	
	Memo	Approval Memo of Legal Services Agreement	5 Project	1942.4	SO	Indefinite	
	1942-43	Project Summary	3 Project	1942.5(a)(1)	DO	Indefinite	
	1942-14	Fund Analysis	3 Project	1942.108(b)	DO	Indefinite	
	442-7	Operating Budget	3 Project	1942.108 (c)	DO	Indefinite	
	Memo	Authorization to issue LOC received from SO	3 Project	1942.5	SO	Indefinite	
	N/A	Update Tracking CP05, CP08, CP09, CP11, CP12	1 Project	RCFTS Screens Sec 3 in Ustr Man Cde 215 & 230 etc.	AO	Indefinite	

Submit to State office for review and authorization to issue letter of conditions.

	Memo	Review by CF (a) Auth to deliver LOC (b) Approval of Legal Serv.	3 Project	1942.5(a)(3)	SO	Indefinite	
	N/A	Public Notice Meeting a. Affidavit of Publication re. Public mtg. b. Certified minutes of Public Mtg.	3 Project	1942.17(j)(9)	Appl	Indefinite	

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Guide 4, Page 4

SO USE	FORMS	DOCUMENT/ACTION	FILE POS./ TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	N/A	Conference to discuss Letter of Conditions	3 Project	1942.5(c)	AO	Indefinite	
	N/A	Resolution accepting LOC and mitigation measures for environmental (as needed)	5 Project	Doc. of Min.	Appl	Indefinite	
	1942-9	Loan Resolution Security Agreement	5 Project	1942.122	Atty.	Indefinite	
	400-4	Assurance Agreement	5 Project	1942.122 (b)	Atty.	Indefinite	
	1942-46	Letter of Intent to meet Conditions	3 Project	1942.108 (d)	Appl	Indefinite	
	Memo	Lower Int. Rates Certification.	2 Project	1942.5(d)	Appl	Indefinite	
	1940-1	Request for Obligation of Funds	2 Project	1942.108(h)	AO	Indefinite	
	1910-11	Application Certified Federal Collection Policies	3 Project	1942.5(a)1(i)	Appl	Indefinite	
	AD-1047	Certification concerning Debarment etc. (Lower Tier Transaction where contracts equal or exceed 25,000.)	3 Project	1940-M	Appl	Indefinite	
	AD-1049	Drug Free Workplace Certification (Grants Only)	3 Project	1940-M	Appl	Indefinite	
	N/A	Contract of Assured Income	5 Project	1942.17(g)(3)	Appl	Indefinite	
	Memo	Send file to SO with request for loan obligation	3 Project	None	AO	Indefinite	
	Memo	SD approves/obligates loan	2 Project	None	SO	Indefinite	
	Memo	Certified list of officers & directors & terms of office	5 Project	1942.17(g)(2)	Appl	Indefinite	
	N/A	Update Tracking CP10 & CP12	3 Project	RCFTS Screens Sec 3 Usr Man Cde 302 etc.	AO	Indefinite	
	LOC	Procurement Documentation	6 Project	1942-C	Appl/Eng.	Indefinite	
	LOC	Complete Equipment Specs (w/copy of accepted bid)	6 Project	1942-C	Appl	Indefinite	
	Memo	Market Value of Equipment	8 Project	1942-C	SO/AO	Indefinite	
	LOC	Proposed Agreements/mgmt/ Auditing Accounting	7 Project	1942-C	Appl	Indefinite	
	LOC	Review of Accounting /Auditing Procedures	7 Project	1942.128(a)	AO	Indefinite	
	LOC	Evidence of Commitments from other sources and/or cash contributions	2 Project	1942-C	Appl	Indefinite	
	LOC	Review and Approval of Final Equipment Specifications	6 Project	Memo	SO	Indefinite	

SO USE	FORMS	DOCUMENT/ACTION	FILE POS./ TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	LOC	Request Loan Closing Instructions	5 Project	Memo	SO/OGC	Indefinite	

Send Docket to State Office

	N/A	Loan Closing Instr. Rec'd from SO	5 Project	LOC	SO/OGC	Indefinite	
	440-A25	Evidence that collateral is pledged	2 Project	1940-A	Appl	Indefinite	
	AD-1047	Final Debarment Certified	RCR Project	1940-M	AO	Indefinite	
	N/A	Request Loan Check	2 Project	ADPS (1C)	AO	Indefinite	
	N/A	Update Tracking (CP11,CP12 as needed)	3 Project	RCFTS Screens Sec 3 Usr Man.	AO	Indefinite	
	N/A	Compliance Review And Justice for All Poster	5 Project	1942.6(c)	AO	Indefinite	
	440-24	Certification concerning insurance & Fidelity Bond	7 Project	1942.117	Appl	Indefinite or Until replaced	
	N/A	Schedule Loan Closing	3 Project	Memo	AO	Indefinite	
	440-22	Promissory Note	2 Project	1942-A	AO	Indefinite	
	440-4	Security Agreement	5 Project	1942-A	AO	Indefinite	
	440-A25	Financing Stmt - Secretary of State	5 Project	1942-A	AO	Indefinite	
	N/A	Bill of Sale on Vehicle	5 Project	Memo	AO	Indefinite	
	DMV Title	Vehicle Title	5 Project	1942-A	AO	Indefinite or Until sold	
	1942A Exhib. E	Cert. From Atty. on Disbursements	5 Project	Memo	Atty.	Indefinite	
	N/A	Current Certified list of officers & terms as of closing date	5 Project	Memo	Appl	Indefinite	
	1942-A Exhib. E	Certification of Loan Closing	5 Project	Form attached to Loan Clsg. Inst.	Atty.	Indefinite	
	N/A	Cert. Of lien, evidence of good standing, etc. Dated after recording of fin. stmts.	5 Project	Closing Instructions	Atty.	Indefinite	
	N/A	Update Tracking CP04, CP05, CP06, CP07, CP10 and CP12	1 Project	RCFTS Screens Sec 3, Usr Man Code 360, etc	AO	Indefinite	
	N/A	Post Loan Closing Review (forward file to SO)	5 Project	1942.17(o)(4)	SO/OGC	Indefinite	
	N/A	Post Loan Review Rec'd from SO	5 Project	1942.123		Indefinite	
	N/A	Update RCFTS CP10	1 Project		AO	Indefinite	
	N/A	Establish Servicing File	3 Project		AO	Indefinite	

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SO USE	FORMS	DOCUMENT/ACTION	FILE POS./ TYPE	REFERENCE	PREPARED BY	RETENTION PERIOD	DATE REC'D
	442-4	RDM's Report between 9th & 11th month of 1st year operation & inspection report end of 11th month of operation	Serv File	1942-12	AO	Indefinite	

Use this statement if security is taken in the form of revenues only: **All debtor's accounts and intangible assets.**

Use this statement if security is taken in the form of personal property only: **All personal property with all replacements, substitutions, additions, and accessions financed with loan/grant funds as hereby described: (INSERT SPECIFIC DESCRIPTIONS)**

If taking security in both revenues AND personal property, **use both of the above descriptions.**

Use this statement if security is taken in the form of revenues only: **All debtor's accounts and intangible assets.**

Use this statement if security is taken in the form of personal property only: **All personal property with all replacements, substitutions, additions, and accessions financed with loan/grant funds as hereby described: (INSERT SPECIFIC DESCRIPTIONS)**

If taking security in both revenues AND personal property, **use both of the above descriptions.**

RESOLUTION OF GOVERNING BODY OF

The governing body of the _____, consisting of _____ members, in a duly called meeting held on the _____ day of _____ at which a quorum was present RESOLVED as follows:

BE IT HEREBY RESOLVED that, in order to facilitate obtaining financial assistance from the United States of America, acting by and through the Rural Housing Service, an agency of the United States Department of Agriculture, (the Government) in the development of a _____ to serve the community, the governing body does hereby adopt and abide by the covenants contained in the agreements, documents, and forms required by the Government to be executed.

BE IT FURTHER RESOLVED that the _____ of the _____ be authorized to execute on behalf of _____ the above-referenced agreements and to execute such other documents including, but not limited to, debt instruments and security instruments as may be required in obtaining the said financial assistance.

This Resolution, along with a copy of the above-referenced documents, is hereby entered into the permanent minutes of the meetings of this Board.

Attest: _____ By _____
(ENTITY NAME)

CERTIFICATION

I hereby certify that the above resolution was duly adopted by the _____ of the _____ in a duly assembled meeting on the _____ day of _____, 19____.

Secretary/Clerk

Virginia Instruction 1942-A
Guide 1, Page 1

I. Introduction

The purpose of this bulletin is to modify and supplement the information found in Rural Development Instruction 1942-A, Guide 27. It is intended that when an engineer follows these guides in the preparation of the contract document section of the specification book, the result will be acceptable to Rural Development in Virginia. When there is a conflict between this guide and Rural Development Instruction 1942-A, Guide 27, this guide will prevail.

This guide consists of the following sections-

- I. Introduction
- II. List of Contract Documents
- III. Final Payment Requirements
- IV. Project Sign

Note that the project sign is to be placed either in the plans or specifications at the engineer's discretion. The project sign is required for all Rural Development contracts in excess of \$100,000. Also, as attachments are those items listed in Section II - List of Contract Documents for Rural Development Community Facility Projects.

II. List of Contract Documents for Rural Development Community Facility Projects

<u>ITEM</u>	<u>DOCUMENT</u>
Advertisement or Invitation to Bid	Virginia Instruction 1942-A, Guide 1, Attachment 1
Instructions to Bidders	AIA Document A701-1997
Supplementary Instructions to Bidders	RD Instruction 1942-A, Guide 27, Attachment 2
Bid Forms	
Bid Bond	
Notice of Award	
Owner-Contractor Agreement	AIA Document A101-1997
Supplement to the Standard Form of Agreement Between Owner and Contractor	RD Instruction 1942-A, Guide 27, Attachment 3
Performance Bond	VA Instruction 1942-A, Guide 1, Attachment 2
Payment Bond for Public Bodies	VA Instruction 1942-A, Guide 1, Attachment 3
Payment Bond for Non-Profit Corporations	VA Instruction 1942-A, Guide 1, Attachment 4
General Conditions	AIA Document A201-1997
Attachment to the General Conditions of the Contract for Construction	RD Instruction 1942-A, Guide 27, Attachment 4
Federal Supplementary Conditions of the Contract for Construction	AIA Document A201/SC
Attachment to the Federal Supplementary Conditions of the Contract for Construction	RD Instruction 1942-A, Guide 27, Attachment 5
Compliance Statement	Form Rural Development 400-6
VA PN No. 165 (Rev. 09-10-01)	

Notice to Prospective Subcontractors of Requirements
for Certifications of Non-Segregated Facilities

Application and Certificate for Payment

AIA Document G702-1983

Certification Regarding Debarment,
Suspension, Ineligibility, and Voluntary
Exclusion - Lower Tier Covered Transactions

Form AD-1048, Rural Development Instruction 1940-M

Certification for Contracts, Grants, and Loans

RD Instruction 1940-Q, Exhibit A-1

Change Order

Form RD 1924-7

III. Final Payment Requirements

Listed are the necessary documents required before final payment is made to contractors and/or design consultants on projects financed in whole or in part by Rural Development. Some of the items may not be applicable on each project or in all contracts of the same project. When more than one contractor is on the same project, most of the following items will be submitted for each.

1. Final change order shall be updated and reflect the changes to correlate with the as-built drawings.
2. For projects where a performance and payment bond are in effect, a "Consent of Surety as to Final Payment" is needed. When surety bonds are not provided, contractors will furnish the owner required evidence of payment in full for all materials, labor, and any other items procured under the contract. Form RD 1924-10, "Release by Claimants," and/or Form RD 1924-9, "Certificate of Contractor's Release," may be used for this purpose.
3. A statement of acceptance from VDOT stating that satisfactory repairs were made to the roadways which were disturbed during the construction period and that all expenses associated with VDOT inspections have been paid in full.
4. A statement signed by the Design Consultant stating that the work has been inspected and that the construction was completed in accordance with the approved contract documents. Exhibit E of EJCDC No. 1910-1-FA - "Notice of Acceptability of Work," should be used for this purpose.
5. A statement from the borrower indicating full acceptance of the project.

IV. Project Sign

For contracts exceeding \$50,000, the Contractor shall supply, erect, and maintain a project sign (Exhibits A and B) according to the specifications set forth below:

Size: 4' x 8' x 3/4"

Material: APA Rated A-B Grade - Exterior

Framing: 2" x 4" nominal on four sides and center cross bracing

Supports: 4" x 4" x 11' nominal post

Mounting: Sign is to be mounted to the 4" x 4" post with a 3/8" minimum bolt and nut, four on each side of the sign. Each bolt is to have two washers, one between the sign and the head of the bolt and the other between the post and the nut.

Erection: 4" x 4" posts are to set three to four feet deep into concrete 12" in diameter.

Paint: Face: three coats outdoor enamel (sprayed)
Rear: one coat outdoor enamel (sprayed)

Colors: White background with black lettering except for USDA logo (green background with white lettering)

Lettering: Silk screen enamel. Lettering sizes and positioning will be as illustrated.

Location and height of sign will be coordinated with the agency responsible for highway or street safety in the area, if any possibility exists for obstruction of traffic line of sight.

The project sign will be substantially in accordance with Exhibits A and B, placed in a prominent location, and maintained in good condition until the completion of the project.

Information for items will be supplied by the Engineer/ARCHITECT.

Cost of sign, including erection and removal, shall be included in the lump sum or unit prices bid.

**PROCUREMENT BY COMPETITIVE NEGOTIATION, NONCOMPETITIVE
NEGOTIATION, AND SMALL PURCHASE METHODS**

Competitive Negotiation

Competitive negotiation allows a supplier to be considered on a basis of numerous qualifications, not solely on price. It also allows for negotiation and bargaining in the procurement of items. In the procuring of items by competitive negotiation, the following procedures should be followed and well documented.

1. A request for proposal (RFP), which includes specifications, along with the specific requirements upon which the proposal is to be evaluated must be developed. The proposal can be evaluated with regards to price; compatibility with existing equipment; quality; repair records; and/or location of supplier or repairer, just to name a few. However, the qualifications should not be designed to arbitrarily prohibit competition.
2. The RFP should be published and sent to a number of sources to permit reasonable competition.
3. All proposals received by the entity should be documented as to date and time received and a description of the proposal. Subsequent negotiations should also be documented.
4. The choice of proposal is then made. This is done in accordance with the requirements listed in the RFP and the selected proposal's conformance to these requirements must be demonstrated. In the proposal package which is sent to the State Office, include a letter from the entity which states the proposals received; summarizes any subsequent negotiations; and outlines the proposal chosen along with the reason for choosing this proposal. This letter should accompany a copy of the chosen proposal. Unsuccessful offerors should be promptly notified.

Noncompetitive Negotiation

Noncompetitive negotiation involves the procurement of an item from a single source. To noncompetitively negotiate a construction or material purchase contract, one of the following conditions must be met:

1. The item is available from only one source; or
2. There exists a public exigency or emergency and the urgency for the requirement will not permit a delay incident to competitive solicitation; or

3. After solicitation of a number of sources, competition is determined inadequate;
or
4. No acceptable bids have been received after formal advertising; or
5. The aggregate price of the work does not exceed \$50,000.

One of these conditions has to be clearly demonstrated and documented. This documentation should be sent to the State Office for prior approval of the noncompetitive negotiation process.

If the noncompetitive negotiation is approved, all discussions between the owner and contractor should be documented as pertaining to date, parties present, and items of discussion or agreement. Any changes to the plans and specifications and contract documents must also be documented. When the negotiations are finalized, a package of this documentation should be sent to the State Office.

Small Purchase

Small purchase procurement is a less formalized procurement method for items costing less than \$10,000. Although it is less formalized, small purchase procurement does require competition and complete documentation of any procurement efforts made. For simple items, a general description of the item to be procured is required. With more complex items, plans and specifications may be required. Additional small purchase procurement steps are as follows:

1. If possible, at least three suppliers or contractors should be contacted. This contact can be by phone conversation, personal visit, or letter. Contacts should be documented as to the individual contacted, date contact made, and the price quote received.
2. A decision regarding the supplier or contractor to be used needs to be made. This decision can be based on price, quality of product, or service or compatibility with present items. The basis for this decision should also be recorded.
3. The owner should compile the documentation required and summarize the needed information in a letter to the Area Office. This information should be sent to the State Office for approval.

General Information

The documentation listed above as required to document the three procurement methods should accompany those items normally required in the bid package. These items would include a bid bond (if necessary); revised project budget; recommendation of award by architect or engineer (if applicable); and resolution by owner of tentative award subject to our approval.

REQUEST FOR PROPOSALS

TO: _____

The _____ Fire Department is planning to purchase a new _____ . We are planning to finance this _____ through the United States Department of Agriculture, Rural Development, Rural Housing Service. As a requirement for this financing, we will be procuring the _____ through competitive negotiation.

The specifications for the equipment requested in this proposal will meet or exceed those listed in NFPA-1901.

New equipment must be accompanied by appropriate test results and certifications from the manufacturer. For any used equipment, the purchaser may test and inspect the equipment before it makes a final proposal decision.

We invite you to offer a proposal for furnishing a _____ of this type to the Fire Department. Attached you will find a set of basic specifications which are intended to establish the minimum level of capacity; construction; quality; operational requirements; etc., for the _____ we will purchase. If you submit a proposal, the specifications on your _____ must equal or exceed these basic specifications. Please feel free to offer equal or better alternates and options if you so desire. The Fire Department will make a final selection based on the proposal which best meets the specifications and our needs, price and other factors considered. We are not limited, unless otherwise noted, to making our selection based only on the lowest-priced proposal. A range of factors, as noted below, will be considered in making the final selection. A weight of 1 to 4 has been assigned to each factor, denoting its relative importance in the final selection. Please review these criteria carefully and include information in your proposal as appropriate. The Fire Department does reserve the right to ask for revised proposals from any or all companies submitting proposals if major revisions in the basic specifications become mandatory.

Evaluation Criteria and Relative Importance

Value System 1 to 4: 1 = Most important

(No more than three criteria shall be rated 1; two or more criteria must be rated 2 or 3)

1. Price of unit offered _____
2. Location of nearest factory authorized service in relation to Fire Department

3. Warranty plan offered _____
4. Compatibility with existing equipment _____
5. References from previous clients _____
6. Operational convenience and efficiency _____
7. Delivery to Fire Department by (date) _____
8. Specifications on equipment offered exceed minimum specification requirements

9. Other (write in) _____

An additional requirement of our loan is that we must maintain open and free competition in the negotiation process. It is our intention to fully consider and evaluate fairly each proposal submitted. Our selection process will be reviewed and concurred in by Rural Development. You should supply a complete set of specifications for the unit on which your proposal is based with proposed options and alternates properly identified and priced.

We hope to make a final selection on or about _____.
Therefore, we must receive your proposal by _____ in
order for it to be considered. If there are any changes to these dates, you will be
notified of the Fire Department's decision on your proposal.

Thank you for your consideration, and we look forward to hearing from you. If you
should have further questions, the contact person(s) for the Fire Department is (are) as
follows:

_____	Phone: _____
_____	Phone: _____

REQUEST FOR PROPOSALS

Proposals for (briefly describe nature, scope, and major elements of work)

_____ will be received by _____ at the office of _____ until _____ (Standard Time - Daylight Savings Time) _____, 19____. This project is being financed through the United States Department of Agriculture, Rural Development, Rural Housing Service, and will be procured through competitive negotiation.

The proposals will be evaluated with regards to the criteria that are outlined in the specifications that follow. After the initial evaluation of these proposals, the owner will choose the _____ proposals which best meet these criteria. The owner is then free to negotiate with originators of these proposals and upon resolution of these negotiations, choose the negotiated proposal that most closely meets or exceeds the specifications. Each proposal must be accompanied by a bid bond payable to the owner for five percent of the total amount of the proposal. Insurance and any additional bonding requirements, if any, will be listed in the specifications and/or conditions of the contract.

If design services are to be included as part of this contract, they must be accomplished by an architect or engineer registered in the Commonwealth of Virginia.

A requirement of our loan is that we must maintain open and free competition in the negotiation process. It is our intention to fully consider and evaluate fairly each proposal submitted. Our selection process will be reviewed and concurred in by Rural Development.

If the proposal exceeds \$10,000, the offeror must submit Form RD 400-6, Compliance Statement, with the proposal. The Equal Opportunity Clause will be a part of all construction contracts exceeding \$10,000.

A copy of these specifications may be examined at the following locations:

Copies of the specifications may be obtained at the office of _____ located at _____ upon payment of \$_____ for each set. Any proposer, upon returning the specifications promptly and in good condition, will be refunded the payment, and any non-proposer will be refunded \$_____.

Should you have any questions, please contact _____ of _____.

SUGGESTED CRITERIA FOR REQUEST FOR PROPOSALS

1. Reference from previous clients
2. Specification on building offered exceeds minimum specification requirements
3. Location of contractor in relation to Department
4. Flexibility of building design
5. Price of building offered
6. Quality of building materials
7. Demonstrated ability to perform contract within specified contract period
8. Warranty plan offered

These are only suggested criteria. None or all of these criteria, or any additional criteria, may be used when developing a request for proposal. In the case where an engineer or architect is developing a request for proposal, they will also be responsible for development of criteria.

Request For Lower Interest Rate

Applicant: _____

Project: _____

Loan and/or Grant: _____

I hereby request the interest rate of the referenced loan be the lower of the rate in effect at the time of loan approval or the time of loan closing.

(Applicant Representative)

(Title)

PART 1942 - ASSOCIATIONS

SUBPART C - FIRE AND RESCUE LOANS

- I. Purpose. This instruction supplements FmHA Instruction 1942-C, Subpart C, Sections 1942.105, 1942.107, 1942.108, 1942.123, and 1942.126 for processing and closing fire and rescue loans.
- II. Application Checklist. In order to be consistent throughout the State, Exhibit A, Fire and Rescue Application Checklist, will be used to request documentation from applicants.
- III. Section 1942.104(a) - Application Processing. This paragraph is supplemented to provide a uniform application processing checklist for fire and rescue loans. Guide 4 will be used as the official Virginia checklist. The checklist in the Area Office file will be filed in Position 1 and will be kept current by Area Office personnel as processing advances.
- IV. Section 1942.105 - Environmental Review. All environmental assessments will be completed by the Rural Development Office as early as possible and submitted to the State Office for review and execution by the CF Specialist and the Environmental Coordinator.
- V. Section 1942.107(b) - Priorities. Guide 26 of 1942-A, Part 1, must be developed by the Rural Development Manager for each application.
- VI. Section 1942.108 - Application Docket Preparation and Review
 - A. Section 1942.108(d) - Letter of Conditions. The Rural Development Manager should prepare a draft letter of conditions in accordance with Section 1942.5(a)(1) and (c) of Subpart A of Part 1942 of this Chapter and Virginia Instruction 1942-C, Exhibit B. This draft must be forwarded to the State Director for review and concurrence prior to its issuance to the applicant.
 - B. Section 1942.108(e) - Organizational Review. For all initial applications and/or organizations which there may be questions, the organizational documents (charter, by-laws, certificate of incorporation) must be forwarded to the State Director for review and OGC comments as early as possible in the application process. OGC comments must be received before obligation of funds.
 - C. Section 1942.108(g) - State Office Review. The Rural Development Manager must submit the entire completed docket along with the draft of the letter of conditions for State Office review and monitoring purposes prior to the delivery of the letter of conditions. All application documents, including the completed Project Summary, Fund Analysis, and Operating Budget, must be submitted.

VII. Section 1942.123(c) - Loan Closing - Organizations Other Than Public Bodies and Indian Tribes

- A. Loans to organizations other than Public Bodies and Indian Tribes may be closed by the Rural Development Manager in accordance with the Standard OGC Closing Guidelines as set forth in VA Instruction 1942-A, Exhibit D, and in accordance with closing instructions issued by the State Office. Exhibit C of this instruction should be attached to the Financing Statements as appropriate.
- B. All completed dockets will be submitted to the State Office for issuance of closing instructions.
- C. All dockets will be properly and quickly assembled following closing and forwarded to the State Office for post closing review.
- D. Grant Agreement - In the event a grant is also to be made to the applicant, the grant may be closed in accordance with RD Instruction 3570-B, provided that these closing instructions have also been complied with and duly authorized officials of the applicant have fully executed Form RD 3570-3, Agreement for Administrative Requirements for Community Facilities Grants.

VIII. Section 1942.126 - Planning, Bidding, Contracting, Constructing, Procuring

- A. Section 1942.126(b)(2) - Final Reports. Final plans and specifications for fire and rescue structures will be submitted to the State Office for review and approval by the State Engineer/Architect prior to bidding or the start of negotiations for proposals. Preliminary plans should be provided for review when possible prior to final plan development.
- B. Section 1942.126(h) - Procurement Methods. Applicants must be advised early in the application phase of loan processing to use procurement methods acceptable to the agency and as required by FmHA Instruction 1942.126(h). An information sheet (Guide 1) outlines the step-by-step process for the most common procurement methods other than the competitive bid method. Guide 2 and Guide 3 may be used for developing request for proposals when procurement is accomplished by the competitive negotiation method.

RD INSTRUCTION 3575

SUBPART A - COMMUNITY PROGRAMS GUARANTEED LOANS

- I. Purpose - This instruction is issued to supplement paragraphs of RD Instruction 3575-A. The purpose is to provide for uniform and orderly processing and closing of community facility guaranteed loans.
- II. Section 3575.52 - Processing
 - A. Paragraphs (a) and (b) - These paragraphs are supplemented to provide a uniform checklist for all community program guaranteed loans. Exhibit A of this instruction will be used as the official Virginia checklist. The checklist will be filed in Position 1 of the Area Office file and will be kept current by Area Office personnel as processing advances.

REQUIRED INFORMATION FOR
ESSENTIAL COMMUNITY FACILITIES PREAPPLICATIONS

Agency regulations require certain data to be presented in order to determine applicant eligibility.

In order for us to be more responsive to your request and in order for us to provide you with additional information on possible RHS funding, we request the following checked items be provided with your preapplication. (Unless noted otherwise, please provide two copies.) If your concern is only related to your eligibility, you need only supply items 1 and 8.

1. Standard Form (SF) 424, Application for Federal Assistance, accompanied by SF 424A and 424B for non-construction OR SF 424C and 424D for construction
2. Intergovernmental Review comments from local Planning District Commission
3. Feasibility Study - FmHA Guide 5 (Omit if included in item 4.)
4. Preliminary Architectural/Engineering Report (Guide 6)
5. Copies of outstanding debt instruments (copies of notes, Deeds of Trust, bonds, financing statements/security agreements, and leases, etc.)
6. Form FmHA 442-3, Balance Sheet
7. Form FmHA 1940-20, Request for Environmental Information
8. Copy of Charter, Articles of Incorporation, By-Laws, etc., (certified) creating the applicant entity
9. Statement from State Historical Preservation Officer concerning historical sites and archaeological properties
10. Financial Reports for the previous five years
11. Brief statement describing (a) how the facility will be operated, (b) the service area [attach maps], and (c) sources of income
12. Legal Services Agreement
13. Agreement for Architectural Services
14. Projected operating budget for the facility [identify income sources and expense items]

If you need further assistance, please feel free to write or call the person(s) listed below.
Your contact person(s) is:

(Name and Title)

(Address)

(Telephone)

Please note that items 2 and 9 require copies of the preapplication and a description of the project [detailing its exact nature, its location(s), etc.] to be sent to the following address:

Item 2: Insert name and address of appropriate Planning District Commission

Item 9: Archaeological properties and historical sites:

Department of Historic Resources
221 Governor Street
Richmond, Virginia 23219
Telephone: (804) 786-3144

USDA-RUS-VA
VA Form RD 440-4
(Rev.)

SECURITY AGREEMENT

I. THIS SECURITY AGREEMENT, dated _____, 19__, is made between the United States of America, acting by and through the Rural Housing Service, an agency of the United States Department of Agriculture, (herein called Secured Party) and _____ (herein called Debtor), whose mailing address is _____.

II. WHEREAS Debtor is justly indebted to Secured Party as evidenced by one or more certain promissory note(s) or other instrument(s), and in the future may incur additional indebtedness to Secured Party which will also be evidenced by one or more promissory note(s) or other instrument(s), all of which are herein called "note," which has been executed by Debtor, is payable to the order of Secured Party, and authorizes acceleration of the entire indebtedness at the option of Secured Party upon any default by Debtor; and

The note evidences a loan to Debtor, and Secured Party, at any time, may assign the note and insure the payment thereof to any extent authorized by the Consolidated Farm and Rural Development Act or any other act administered by the United States of America, acting by and through the Rural Housing Service, an agency of the United States Department of Agriculture; and

It is the purpose and intent of this instrument that, among other things, at all times when the note is held by Secured Party, or in the event Secured Party should assign this instrument without insurance of the note, this instrument shall secure payment of the note; but when the note is held by an insured holder, this instrument shall not secure payment of the note or attach to the debt evidenced thereby, but as to the note and such debt shall constitute an indemnity security agreement to secure Secured Party against loss under its insurance contract by reason of any default by Debtor; and

NOW THEREFORE, in consideration of said loan(s) and (a) at all times when the note is held by Secured Party, or in the event Secured Party should assign this instrument without insurance of the payment of the note, to secure the prompt payment of all existing and future indebtedness and liabilities of Debtor to Secured Party and of all renewals and extensions thereof and any additional loans or future advances to Debtor heretofore or hereafter made or insured by Secured Party under the then existing provisions of the Consolidated Farm and Rural Development Act or any other act administered by the United States of America, acting by and through the Rural Housing Service, an agency of the United States Department of Agriculture, all with interest; (b) at all times when the note is held by an insured holder, to secure performance of Debtor's agreement herein to indemnify and save harmless Secured Party against loss under its insurance contract by reason of any default by Debtor; (c) in any event and at all times to secure the prompt payment of all advances and expenditures made by Secured Party, with interest, as hereinafter described, and the performance of every covenant and agreement of Debtor contained herein or in any supplementary agreement:

VA PN No. 166 (Rev. 09-28-01)

Virginia Instruction 1942-A
Exhibit D
Attachment 3, Page 2

DEBTOR HEREBY GRANTS to Secured Party a security interest in Debtor's interest in the following collateral, including the proceeds and products thereof:

Item 1. All personal property with all replacements, substitutions, additions, and accessions financed with loan/grant funds as hereby described:

Ln No.	Quan.	Kind	Manu.	Size and Type	Condi- tion	Year of Manu.	Serial or Motor No.
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INSERT SPECIFIC DESCRIPTIONS

Item 2. All debtor's accounts and intangibles.

III. DEBTOR WARRANTS, COVENANTS, AND AGREES THAT;

A. Debtor is the absolute and exclusive owner of the above-described collateral, and such collateral is free from all liens, encumbrances, security, and other interests except (1) any existing liens, encumbrances, security, or other interests in favor of Secured Party which shall remain in full force and effect; and (2) other liens, encumbrances, security, or other interests, as follows:

and Debtor will defend the collateral against the claims and demands of all other persons. Reference to the above liens, encumbrances, security, and other interests is for warranty purposes only and does not indicate their priority.

B. Statements contained in Debtor's loan application(s) are true and correct; and Debtor will (1) use the loan funds for the purposes for which they were or are advanced; (2) comply with management plans as may be agreed upon from time to time by Debtor and Secured Party; (3) care for and maintain the collateral in a good and husband-like manner; (4) insure the collateral in such amounts and manner as may be required by Secured Party, and if Debtor fails to do so, Secured Party; at its option, may procure such insurance; (5) permit Secured Party to inspect the collateral at any reasonable time; (6) not abandon the collateral or encumber, conceal, remove, sell, or otherwise dispose of it or of any interest therein, or permit others to do so, without the prior written consent of Secured Party; and (7) not permit the collateral to be levied upon, injured, or destroyed, or its value to be impaired.

C. Debtor will pay promptly when due all (1) indebtedness evidenced by the note and any indebtedness to Secured Party secured hereby; (2) rents, taxes, insurance premiums, levies, assessments, liens, and other encumbrances, and costs of lien searches and maintenance and other charges now or hereafter attaching to, levied on, or otherwise pertaining to the collateral or this security interest; (3) filing or

recording fees for instruments necessary to perfect, continue, service, or terminate this security interest; and (4) fees and other charges now or hereafter required by regulations of the United States of America, acting by and through the Rural Housing Service, an agency of the United States Department of Agriculture. At all times when the note is held by an insured holder, Debtor shall continue to make payments on the note to Secured Party, as collection agent for the holder.

- D. If the note is insured by Secured Party, Debtor will indemnify and save harmless Secured Party against any loss by reason of any default by Debtor.
- E. At all times when the note is held by an insured holder, any amount due and unpaid under the terms of the note to which the holder is entitled may be paid by Secured Party to the holder of the note for the account of Debtor. Any amount due and unpaid under the terms of the note, whether it is held by Secured Party or by an insured holder, may be credited by Secured Party on the note and thereupon shall constitute an advance by Secured Party for the account of Debtor. Any advance by Secured Party as described in this paragraph shall bear interest at the note rate from the date on which the amount of the advance was due to the date of payment to Secured Party, provided that Borrower shall be required to pay interest on only the principal portion of such advance unless otherwise provided in the regulations of the United States of America, acting by and through the Rural Housing Service, an agency of the United States Department of Agriculture.
- F. Whether or not the note is insured by Secured Party, Secured Party may at any time pay any other amounts required herein to be paid by Debtor and not paid when due, including any costs and expenses for the preservation or protection of the collateral or this security interest, as advances for the account of Debtor. All such advances shall bear interest at the rate borne by the note which has the highest interest rate.
- G. All advances by Secured Party as described in this instrument, with interest, shall be immediately due and payable by Debtor to Secured Party without demand at the place designated in the latest note and shall be secured hereby. No such advance by Secured Party shall relieve Debtor from breach of the covenant to pay. Any payment made by Debtor may be applied on the note or any indebtedness to Secured Party secured hereby, in any order Secured Party determines.
- H. In order to secure or better secure the aforesaid obligations or indebtedness, Debtor will execute and deliver to Secured Party at any time, upon demand, such additional security instruments on such real and personal property as Secured Party may require. Debtor authorizes Secured Party to file a financing statement prior to disbursement and to file amendments and continuations of the financing statement.

IV. IT IS FURTHER AGREED THAT:

- A. Until default, Debtor may retain possession of the collateral.
- B. Default shall exist hereunder if Debtor fails to perform or discharge any obligation or to pay promptly any indebtedness hereby secured or to observe or perform any covenants or agreements herein or in any supplementary agreement contained, or if any of Debtor's representations or warranties herein prove false or misleading or upon the death or incompetency of the parties named as Debtor, or upon the

Virginia Instruction 1942-A
Exhibit D
Attachment 3, Page 4

bankruptcy or insolvency of anyone of the parties named as Debtor. Upon any such default.

1. Secured Party, at its option, with or without notice as permitted by law, may (a) declare the unpaid balance on the note and any indebtedness secured hereby immediately due and payable; (b) enter upon the premises and take possession of, cultivate, and harvest crops, repair, improve, use, and operate the collateral or make equipment unusable for the purpose of protecting or preserving the collateral or this lien, or preparing or processing the collateral for sale; and (c) exercise any sale or other rights accorded by law.
 2. Debtor hereby (a) agrees to assemble the collateral and make it available to Secured Party at such time(s) and place(s) as designated by Secured Party; and (b) waives all notices, exemptions, compulsory disposition, and redemption rights.
 3. A default shall exist under any other security instrument held or insured by Secured Party and executed or assumed by Debtor on real or personal property. Likewise, default under any such other security instrument shall constitute default hereunder.
- C. Proceeds from disposition of collateral shall be applied first on expenses of retaking, holding, preparing for sale, selling and the like, and for payment of reasonable attorneys' fees and legal expenses incurred by Secured Party; second to the satisfaction of prior security interests or liens to the extent required by law and in accordance with current regulations of the United States of America, acting by and through the Rural Housing Service, an agency of the United States Department of Agriculture; third to the satisfaction of indebtedness secured hereby; fourth to the satisfaction of subordinate security interests to the extent required by law; fifth to any other obligations of Debtor owing to or insured by Secured Party; and sixth to Debtor. Any proceeds collected under insurance policies shall be applied first on advances and expenditures made by Secured Party, with interest, as herein above provided; second on the debt evidenced by the note, unless Secured Party consents in writing to their use by Debtor under Secured Party's direction for repair or replacement of the collateral; third on any other obligation of Debtor owing to or insured by Secured Party; and any balance shall be paid to Debtor unless otherwise provided in the insurance policies. Debtor will be liable for any deficiency owed to Secured Party after such disposition of proceeds of the collateral and insurance.
- D. It is the intent of Debtor and Secured Party that to the extent permitted by law and for the purpose of this Agreement, no collateral covered hereby is or shall become realty or accessioned to other goods.
- E. This Agreement is subject to the present regulations of the Secured Party and to its future regulations not inconsistent with the express provisions hereof.
- F. If any provision of this Agreement is held invalid or unenforceable, it shall not affect any other provisions hereof, but this Agreement shall be construed as if it had never contained such invalid or unenforceable provision.

- G. The rights and privileges of Secured Party under this Agreement shall insure to the benefit of its successors and assigns. All covenants, warranties, representations, and agreements of Debtor contained in this Agreement are joint and several and shall bind personal representatives, heirs, successors, and assigns.
- H. If at any time it shall appear to Secured Party that Debtor may be able to obtain a loan from a private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, Debtor will, upon Secured Party's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured hereby.
- I. Secured Party shall have the sole and exclusive rights as the secured party hereunder, including, but not limited to, the power to grant or issue any consent, release, subordination, continuation statement, or termination statement, and no insured holder shall have any right, title, or interest in or to the security interest created by this agreement or any benefits hereof.
- J. SECURED PARTY HAS INFORMED DEBTOR THAT DISPOSAL OF PROPERTY COVERED BY THIS SECURITY AGREEMENT WITHOUT THE CONSENT OF SECURED PARTY, OR MAKING ANY FALSE STATEMENT IN THIS SECURITY AGREEMENT, OR ANY OTHER LOAN DOCUMENT, MAY CONSTITUTE A VIOLATION OF FEDERAL CRIMINAL LAW.
- K. Failure by the Secured Party to exercise any right, whether once or often, shall not be construed as a waiver of any covenant or condition or of the breach thereof. Such failure shall also not affect the exercise of such right without notice upon any subsequent breach of the same or any other covenant or condition.

Attest: _____ (SEAL)

By: _____

By: _____

Title: _____

Title: _____

SEWER USERS AGREEMENT

This agreement entered into between _____, a public body, hereinafter called the "Owner," and _____, hereinafter called "User."

W I T N E S S E T H

Whereas, the User desires to purchase sewer service from the Owner and to enter into a sewer users agreement, as required by the Rules and Regulations of the Owner.

NOW THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, it is hereby understood and agreed by the parties hereto as follows:

The Owner shall furnish, subject to the limitations set out in its Rules and Regulations now in force or as hereafter amended, such sewer collection service as necessary in connection with User's occupancy of the following described property:

The User agrees to, and does herewith, pay an initial contribution of \$_____ to the Owner.

The User agrees to grant to the Owner, its successors, and assigns, free of charge, a perpetual easement in, over, under, and upon the above-described land, with the rights to erect, construct, install, and lay, and thereafter use, operate, inspect, repair, maintain, replace, and remove, sewer pipelines and appurtenant facilities, together with the right to utilize adjoining lands belonging to the User for the purpose of ingress to and egress from the above-described lands.

The User shall install and maintain at its own expense a service line which shall begin at the sewer tap (connection) on the Owner's line and extend to the dwelling or place of use. The service line shall connect with the Owner's collection system at the nearest place of desired use by the User, provided the Owner has determined in advance that the system can adequately accept sewage at that point.

The User agrees to comply with and be bound by the Rules and Regulations of the Owner and the Virginia State Corporation Commission, if applicable, now in force, or as hereafter duly and legally supplemented, amended, or changed. The User also agrees to pay for sewer service at such rates, time, and place as shall be determined by the Owner, and agrees to the imposition of such penalties for noncompliance as are now set out in the Owner's and Virginia State Corporation Commission's Rules and Regulations, or which may be hereafter adopted and imposed by the Owner. It is now anticipated the Owner's initial sewer service rates will be approximately as follows:

For sewer customers who are now on metered water service, the rates shall be based on water usage and shall be as follows:

(Insert Planned Rates)

First 3,000 gals. of water used per month @ \$_____ per month per
1,000 gals.
Next 3,000 gals. of water used per month @ \$_____ per month per
1,000 gals.
Next 4,000 gals. of water used per month @ \$_____ per month per
1,000 gals.
Next 10,000 gals. of water used per month @ \$_____ per month per
1,000 gals.
All
Over 20,000 gals. of water used per month @ \$_____ per month per
1,000 gals.

For sewer customers who are not now on metered water service,
"flat" sewer service rates will be charged as follows:

The Owner shall purchase and install a service connection at each service point. The Owner shall have exclusive right to use such service connection.

The Owner shall have final authority in any question of location of any service line connection to its collection system; shall determine the adequacy of capacity to serve the Users; and will not allow any connection or extension to be made of the User's service line for the purpose of supplying sewer service to another User.

The User shall be ready for its service line to be connected to the Owner's collection system and shall commence to use the service from the

system on the date the service is made available to the User by the Owner. Sewer service charges to the User shall commence on the date service is made available, regardless of whether the User's service line is complete and ready to be connected to the collection system.

The User hereby agrees to pay the minimum sewer bill for a period of three (3) years from the date service is available, regardless of whether the User actually uses such service.

The failure of a User to pay sewer charges duly imposed shall result in the automatic imposition of the following penalties:

1. Nonpayment within twenty (20) days from the due date will be subject to a penalty of ten percent (10%) of the delinquent account.
2. Nonpayment within sixty (60) days from the due date will result in the Owner effecting such legal remedies as may be available for the collection of the delinquent account.

It is hereby understood that the Owner's sewerage system is now under final design and in the event it is determined that service to the User's property is not feasible, this agreement and the initial contribution will be returned to the User without interest and the Owner will not be under obligation to provide service to the property.

IN WITNESS WHEREOF, we have executed this agreement this ____ day of _____, 19____.

WITNESS

USER

USER

(SEAL)

OWNER

SECRETARY/CLERK

By: _____

CHAIRMAN/MAYOR

WATER USERS AGREEMENT

This agreement entered into between the _____, a
public body, hereinafter called the "Owner," and _____
_____, hereinafter called "User."

W I T N E S S E T H

Whereas, the User desires to purchase water from the Owner and to
enter into a water users agreement, as required by the Rules and
Regulations of the Owner.

NOW THEREFORE, in consideration of the mutual covenants, promises,
and agreements herein contained, it is hereby understood and agreed by
the parties hereto as follows:

The Owner shall furnish, subject to the limitation set out in its
Rules and Regulations now in force or as hereafter amended, such
quantity of water as the User may desire in connection with the User's
occupancy of the following described property:

The User agrees to, and does herewith, pay an initial contribution
of \$_____ to the Owner.

The User agrees to grant to the Owner, its successors, and assigns, free of charge, a perpetual easement in, over, under, and upon the above-described land, with the right to erect, construct, install, and lay, and thereafter use, operate, inspect, repair, maintain, replace, and remove, water pipelines and appurtenant facilities, together with the right to utilize adjoining lands belonging to the User for the purpose of ingress to and egress from the above-described lands.

The User shall install and maintain at its own expense a service line which shall begin at the meter and extend to the dwelling or place of use. The service line shall connect with the distribution system of the Owner at the nearest place of desired use by the User, provided the Owner has determined in advance that the system is of sufficient capacity to permit delivery of water at that point.

The User agrees to comply with and be bound by the Rules and Regulations of the Owner and the Virginia State Corporation Commission, if applicable, now in force, or as hereafter duly and legally supplemented, amended, or changed. The User also agrees to pay for water at such rates, time, and place as shall be determined by the Owner, and agrees to the imposition of such penalties for noncompliance as are now set out in the Owner's and/or the Virginia State Corporation Commission's Rules and Regulations, or which may be hereafter adopted and imposed by the Owner. It is now

anticipated the Owner's initial water use rates will be approximately as follows:

(Insert Planned Rates)

First	3,000 gals. used per month @ \$_____	per 1,000 gals.
Next	3,000 gals. used per month @ \$_____	per 1,000 gals.
Next	4,000 gals. used per month @ \$_____	per 1,000 gals.
Next	10,000 gals. used per month @ \$_____	per 1,000 gals.
All Over	20,000 gals. used per month @ \$_____	per 1,000 gals.

The Owner shall purchase and install a cutoff valve and a water meter for each service. The Owner shall have exclusive right to use such cutoff valve and water meter.

y in any question of location of any service line connection to its allocation of water to Users in the event of a water shortage; and may shut ion or extension to be made of its service line for the purpose of supplying total water supply shall be insufficient to meet all of the needs of the ge of water, the Owner may prorate the water available among the various le by the Governing Body of the Owner, and may also prescribe a schedule of purposes by particular Users and require adherence thereto or prohibit the use hat, if at any time the total water supply shall be insufficient to meet all purposes before supplying any water for livestock purposes and must satisfy

all Users for both domestic and livestock purposes before supplying any water for garden purposes.

The User agrees that no other present or future source of water will be connected to any water lines served by the Owner's water lines and will disconnect from its present water supply prior to connecting to and switching to the Owner's system and shall eliminate their present or future cross-connections in its system.

The User shall connect its service lines to the Owner's distribution system and shall commence to use water from the system on the date the water is made available to the User by the Owner. Water charges to the User shall commence on the date service is made available, regardless of whether the User connects to the system.

The User hereby agrees to pay the minimum water bill for a period of three (3) years from the date service is available, regardless of whether the User actually uses such service.

The failure of a customer to pay water charges duly imposed shall result in the automatic imposition of the following penalties:

1. Nonpayment within twenty (20) days from the due date will be subject to a penalty of ten percent (10%) of the delinquent account.
2. Nonpayment within sixty (60) days from the due date will result in the water being shut off from the User's property.
3. In the event it becomes necessary for the Owner to shut off the water from a User's property, a fee of \$20.00 will be charged for a reconnection of the service.

It is hereby understood that the Owner's water system is now under final design and in the event it is determined that service to the User's property is not feasible, this agreement and the initial

contribution will be returned to the User without interest and the Owner will not be under any obligation to provide service to the property.

IN WITNESS WHEREOF, we have executed this agreement this ____ day
of _____, 19____.

WITNESS

USER

USER

(SEAL)

OWNER

SECRETARY/CLERK

By: _____
CHAIRMAN/MAYOR